



Brent

Brent Pension Fund Sub-Committee

Monday 21 February 2022 at 6.00 pm*

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

***Agenda Republished on 18 February 2022**

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 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 is available [here](#)

Membership:

Members

Councillors:

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

Substitute Members

Councillors

A Choudry, McLeish and
Naheerathan

Councillors

Colwill and Maurice

Non Voting Co-opted Members

Elizabeth Bankole

Brent Unison representative

For further information contact: Andrew Phillips, Governance Officer
Tel: 0208 937 4219; Email: Andrew.Phillips@brent.gov.uk

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Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences** - Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

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

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

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

or

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

- You yourself;

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

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
1 Declarations of personal and prejudicial interests	
Members are invited to declare at this stage of the meeting, any relevant personal and discloseable pecuniary interests in any matter to be considered at this meeting.	
2 Minutes of the previous meeting	1 - 10
To confirm and approve the minutes of the previous Sub Committee held on Tuesday 5 October 2021 as an accurate record.	
3 Matters arising	
4 Deputations (if any)	
5 London Borough of Brent Pension Fund - Q3 2021 Investment Monitoring Report	11 - 34
To receive the Brent Pension Fund Q3 2021 Investment Monitoring Report.	
6 Net Zero Transition Roadmap Update	35 - 68
This report presents an update on progress against the Fund's net zero transition roadmap.	
7 Actuarial Assumptions (Summary)	69 - 74
This report provides an update on the 2022 valuation process, in	

particular on the key financial and demographic assumptions that drive the overall funding level and employer contribution rates.

Members are asked to note that as the full report contains exempt information it has been included for consideration in the closed session of the meeting (Agenda Item 14 refers).

8 Pension Fund Annual Report 2020-21 75 - 246

This report presents the final version of the Pension Fund Annual Report for the year ended 31 March 2021, following the conclusion of the external audit.

9 Procurement of Actuarial, Custodian and Investment Management Consultancy Services 247 - 252

The purpose of this report is to summarise the outcome of the Actuarial Services tender and seek authority to procure a contract for Custodian Services and Investment Management Services.

10 LAPFF engagement report 253 - 268

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

11 Minutes of Pension Board 269- 276

To note the minutes of the Pension Board held on 2 November 2021.

(Agenda republished to include the item on 18 February 2022)

12 Any other urgent business

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

13 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)"

14 Actuarial Assumptions (Full Report)

277 - 320

This report provides the full update on the 2022 valuation process, in particular on the key financial and demographic assumptions that drive the overall funding level and employer contribution rates.

15 London CIV Update

321 - 424

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

Date of the next meeting: **To be confirmed as part of the 2022/23 Municipal Calendar of meetings**

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 strongly encouraged with hand sanitiser dispensers located at the main entrance to The Drum and within each meeting room.
- Those attending meetings are asked to scan the coronavirus NHS QR code for The Drum upon entry. Posters of the QR code are located in front of the main Drum entrance and outside each boardroom.
- Although not required, anyone attending in person is also encouraged to

undertake a lateral flow test in advance of the meeting. These are available at the Civic Centre and can be booked via the following link: <https://www.brent.gov.uk/your-community/coronavirus/covid-19-testing/if-you-dont-have-symptoms/>

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LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE

Held in the Conference Hall, Brent Civic Centre on Tuesday 05 October 2021
at 6.00 pm

PRESENT: Councillor Choudhary (Chair) and Councillors Daly, Donnelly Jackson & Kansagra and Elizabeth Bankole (Independent Co-Opted Member). Councillor Perrin was also present 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 Aden 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.

2. **Minutes of the previous meeting**

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

3. **Matters arising**

None.

4. **Deputations**

None.

5. **London Borough of Brent Pension Fund- Q2 2021 Investment Monitoring Report**

Kenneth Taylor (Hymans Robertson LLP Investment Consultant) introduced a report which outlined the performance of Brent Pension Fund during Q2 2021.

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

- The Committee were updated that Q2 had involved a strong performance by the Fund, with a £45m million increase in value, which was equivalent to a 5.1% return. This was ahead of the benchmark set for The Fund and continued the strong rate of returns being delivered reflecting the increase in economic activity as a result of the easing of restrictions as part of the global recovery from the pandemic.

- The main driver of returns were The Fund's growth holdings and equity investments, with the Baillie Gifford multi asset fund having produced particularly strong performance.
- In terms of Asset Allocation and valuation the Fund remained broadly in line with the interim target allocations for growth and income assets. In terms of valuation the Fund's assets had grown from £1032m to £1076m with £48m held in cash at the end of the quarter. It was, however, noted that this included £30m earmarked for investment in the new BlackRock Low Carbon equity fund.
- The proposed approach towards scaling back investment in the Capital Dynamics and Alinda Infrastructure Funds remained on track with the aim to scale up the proportion of investment held with the London CIV. This would include the LCIV Infrastructure fund which whilst in its infancy would see an expected ramp up over the next 3 years alongside the ongoing commitment to the LCIV private debt fund.
- The approach also being developed in relation to strategic property investment, on which it was noted a report was due to be considered by the Sub Committee later on the agenda (Min item 13 refers).

An overview was then provided in relation to manager performance of the various funds, with the following noted:

- That total Fund return was positive during the quarter, with longer term performance also comfortably ahead of targets.
- In growth assets, it was noted that there was very strong performance from the equity investments in global, UK and private equities. Growth assets were noted as being the main driver of returns over the quarter.
- The Baillie Gifford multi asset Fund had posted strong performance, driven by listed equities, property and infrastructure allocations which had benefited from the ongoing economic recovery. Strong performance had also been identified in relation to the Ruffer multi asset Fund, with the returns from both at 14.2% relative to the benchmark of 2.1%.
- The reasons identified for the lower than expected performance in relation to the Capital Dynamics and Alinda Infrastructure funds.

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

- In relation to the Black Rock low carbon equity fund clarification was provided regarding the timescale for initial investment, which had been made at the start of September 21. Further details would therefore be included as part of the next monitoring update to the Committee in February 22.

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. **Brent Pension Fund- Annual Report and Accounts 2020/21**

Flora Osiyemi (Head of Finance) introduced the report, providing the Sub-Committee with an update on the Pension Fund Annual Accounts for the year ended 31 March 2021.

The Committee noted that since publication of report the Pension Fund Accounts had been finalised with an unqualified opinion issued by Grant Thornton, as external auditor. The key items were noted as follows:

- During 2020/21, the value of the Pension Fund investments had increased to £1,032b, compared to £835m in 2019/20. This improvement was mainly due to strong performance from the Fund's investment managers and bounce back in the markets as part of the recovery from the pandemic.
- Total contributions received had been £61m, an increase from £60m in the previous year.
- 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 remained in a positive cash flow position as its contributions exceeded outgoings to members.
- In terms of next steps, the Pension Fund Annual Report was due to be published on 1 December 2021, which would be subject to review by Grant Thornton, as external auditors in order to complete the audit process.

The Chair supported by the Sub-Committee took the opportunity to thank the Finance Team and Grant Thornton for their efforts in completing the Accounts and audit process within deadline, which Brent had been one of the first local authorities to achieve.

As no further issues were raised it was **RESOLVED** to note the current position and progress made in finalising the Brent Pension Fund Accounts 2020/21 along with the audit findings.

7. **Net Zero Transition Roadmap**

Flora Osiyemi (Head of Finance) introduced the report, which presented 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.

In presenting the report the Sub Committee noted:

- The Net Zero Transition Roadmap which had been prepared by the Funds Investment Advisors (Hymans Robertson) and had been attached as Appendix A to the report. This set out a series of proposed steps for the Fund to consider over the short, medium and longer term in the context of setting and achieving net zero.
- The importance of the Fund in being able to evolve its investment strategy in order to take account of the opportunities and risks presented by climate change, in relation to its responsible investment approach, alongside the progress made to date.

Kenneth Taylor (Hymans Roberston) then went on to present the key sections and principles within the Roadmap, with the Sub Committee noting:

- The background to responsible investment and key themes/principles that would require consideration by the Fund as part of its journey towards net zero.

- The development of a Net Zero Framework consisting of five key areas to drive forward the strategy. These were identified as education, understanding the baseline, evaluating alignment and setting targets, planning and implementation actions and monitoring and ongoing reporting.
- The short and medium term roadmap for each key area within the Framework along with potential targets (both long term and interim) and outline/assessment of potential equity funds.
- The Roadmap was noted as setting out what would be required to be analysed in the next 12-18 months to develop the plan further. This included considering what metrics would be used to measure the fund's climate footprint.
- In terms of targets, whilst the key aim was to achieve a net-zero position, this would require consideration of a realistic timeframe combined with shorter term targets in order to inform actions moving forward towards the longer term aspiration.
- The management and stewardship of this fund was noted as being important, including decisions around investment opportunities and funds.
- In relation to education, the importance in developing training and a focus around responsible investment was highlighted as key as part of the first phase in delivering the Framework during 2022.
- In terms of investment options, the London CIV already operated a number of funds which included an Environmental, Social and Governance (ESG) criteria, which could also be developed as an approach within the Framework, also taking account of the requirements established in relation to the Taskforce for Climate Related Financial Disclosures. These disclosures would likely need to be produced in October 2023 should LGPS (Local Government Pension Scheme) funds be required to comply.
- It was updated that the fund's current carbon emissions would need to be determined. The London CIV had set up metrics for this, however other fund managers outside of the LCIV arrangements would also need to supply the details. Once this was ascertained, this could then be reported back on an ongoing basis to monitor the impact in relation to the reduction in carbon emissions.
- The timescale of achieving a Net-Zero position was then highlighted, with the Sub Committee advised that the London CIV had announced a target of reaching Net-Zero by 2040. As part of this they had proposed interim carbon intensity targets for their fund range and broader engagement and transition targets with their net zero strategy having been attached as Appendix 2 to the report.
- To this end, it was noted as being important to assess the feasibility of different target dates, including 2030, 2040 or 2050. It was proposed that this work would be carried out as part of the initial delivery and development of the Framework in Q1 2022.
- The wider governance issues requiring consideration as part of the longer term delivery of the Framework, including the role and engagement of the Sub Committee and measures in place to monitor the progress of managers, challenging their investment decisions. It was felt this should be based on regular progress reports to the Sub Committee.
- In terms of current asset allocation, the Fund was already in the process of making an initial 3% investment from cash to BlackRock's Low Carbon Fund which had been agreed as part of the previous year's core equality allocation. This was seen as a positive initial step towards the responsible investment

strategy with the intention on increasing the proportion of equity holdings in ESG mandates over time. As part of this approach and in line with the Funds net zero aspirations a growth structure review had been planned for 2022 aimed at reviewing and potentially restructuring the Fund's developed market equity holdings in line with the agreed net zero targets. Ahead of the formal review, however, the Sub Committee (as part of the overall Framework being developed) was being asked to consider a further increase in the allocation to the BlackRock Low Carbon Fund. The Sub Committee were advised that this was supported by Hymans Robertson on the basis of a further 3% allocation (broadly valued at £32m) which would increase the total investment to 6% of total assets. It was felt this would be meaningful enough to provide a positive low carbon impact ahead of the growth structure review without creating any potential issues. In terms of meeting the 3% additional allocation, it had been proposed that this should be from outside the growth (global equities) allocation with the LGIM Global Equity mandate identified as the preferred option, for the reasons outlined within section 4.9 of the report.

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

- Members were keen to explore the potential to achieve the new zero target prior to 2040 with it being noted that this would need to be considered as part of the development of the Framework and range of steps developed to help to inform the longer term target.
- In relation to the targets, it was asked whether the development of these would include an assessment of costs, advantages and disadvantages with members advised of the proposed development of a range of different models focussed at achieving the overall target.
- Confirmation was provided that Framework would include an analysis of risks as well as different investment strategies and funds, with the Roadmap being used as the starting point for the process.
- Members were keen to dispense of 2050 as a target and instead focus on the measures required to align with the London CIV target of 2040 or before (if possible). It was therefore suggested that a representative of London CIV be invited to the next meeting of the Sub Committee with members having noted (as exempt information) the ESG characteristics within the existing LCIV Funds contained within Appendix D of the Roadmap.

As no further issues were raised the Chair thanked all officers for their work in preparing the Roadmap and and Sub Committee **RESOLVED**

- (1) To note and approve the Net Zero Road Map, as detailed within Appendix 1 of the report.
- (2) To approve a further 3% allocation (c. £32m based on June 21 valuation) in the BlackRock ACS World Low Carbon Equity Tracker Fund

8. **Property Allocation Report**

In view of the main appendix to the report having been classified as exempt and nature of the investment options presented for consideration the Sub Committee **RESOLVED** to move this item into the private session of the meeting for discussion.

9. **Minutes of Pension Board**

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 the Chair's Annual Report, an update on various pension administration matters, the new Fund administration strategy, as well as an update on the Local Government Pension Scheme. The Board also considered the Pension Fund Risk Register. 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.

10. **Any other urgent business**

None

11. **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)."

12. **Property Allocations Report**

Flora Osiyemi (Head of Finance) introduced the report providing an overview of the Fund's strategic allocation to property, an introduction to the UK property market and summary of a four potential property funds for the Sub Committee to consider in terms of investment opportunities and option.

The Sub Committee then received a presentation from Kemeel Kapitan (Hymans Robertson) as the Funds Investment Advisors on the analysis they had undertaken in relation to initial investment options with the Sub Committee noting:

- The Funds long term target allocation to property of 10% which the options detailed within the report had been designed to address given the strategic asset allocation was currently unfunded, with the assets currently being held in a combination of the Fund's equity and two Diversified Growth Funds mandates pending the identification of suitable investment opportunities.
- Whilst investment in the London CIV remained the Funds preferred approach, the London CIV pool had not (to date) made property funds available and with their being no current plans to do so alternative investment options had needed to be explored. As an initial approach towards reaching the 10% allocation Hymans Robertson had therefore proposed starting with a 3% allocation (approx. £30m in value) which could then be topped up in future years. It was felt this would allow the Fund time to assess performance and allocate future funds to the best opportunities in the property market as they became available.

- The strategic case supporting the nature of property investments presented for consideration, as detailed within section 4 of the cover report along with the detailed analysis (set out within Appendix 1 of the report) of the options identified in relation to the high level data, historic performance and current positioning of the recommended core property allocation funds.

The following issues were then raised by members of the Sub Committee in response to the update provided and recommended approach set out in the report:

- Reference was made to the concerns identified at the previous meeting in relation to the acquisition of certain types of property assets (including student accommodation) for investment purposes by the Fund and how this related to the balance provided within the investment options which had been recommended to the Sub Committee. In response members were advised that the proposed investment options were based on core UK balanced commercial property funds targeted at institutional investors. These funds would invest across a range of traditional commercial property market sectors and whilst including “other” alternative sectors the main focus would be on a broad range of industrial, office and retail portfolios.
- In response to concerns raised in relation to any risks and volatility that may be associated with property fund investments, given the ongoing and longer term impacts of the pandemic across the sector, members were assured that this had been recognised in terms of the approach outlined. In terms of mitigations, these included the proposal to split the core property allocation across two complementary funds and to limit the initial allocation to 3% which would allow any underlying property asset risk and tenant exposure to be diversified as well as performance to be assessed prior to investment options in other areas of the property market being considered as part of any topping up process.
- Further clarification was sought in relation to the strategic case provided in support of property allocation with Kameel Kapitan (Hymans Robertson) highlighting the way in which it was felt this would assist the Fund in terms of its longer term objectives not only in terms of diversifying its growth assets but also by providing longer term stability and increasing the range of assets held generating a consistent income yield.
- In terms of fund selection, the Sub Committee noted the summary and assessment of investment fund options which had been undertaken by Hyman Robertson, as detailed within Appendix A of the report including performance and each funds positioning within the market. Members were also advised of the basis for the recommended approach towards indirect as opposed to direct property investment given the practical benefits arising from the pooling of assets and scale which increased the opportunity for investments across a range of property sectors. In terms of the options for Brent it was felt that the size of the assets to be allocated would be insufficient to support direct investment.

Having considered and noted the analysis undertaken by the Funds Investment Advisors (Hymans Robertson) as detailed within Appendix 1 of the report and options presented in relation to an initial strategic investment in property fund(s) the Sub Committee were supportive of the approach outlined and as a result **RESOLVED** to approve the proposed investment of 3% total (c.£30m) in the two funds set out below:

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

13. **Employer Risk and Admission Agreements**

Sawan Shah (Senior Finance Analyst) introduced a report updating the Sub Committee on employer risk to the Brent Pension Fund along with the current position on admission agreements.

In considering the report the Sub Committee noted:

- That the report had been provided for information purposes in response to previous requests for updates to be provided in relation to the management of risk.
- The outline of the different categories of scheme employers in the Fund and how the level of risk (particularly in relation to the employers meeting their obligations to the Fund around payments) varied between each group, as detailed within Section 3 of the report. The key categories of employers were identified as Scheduled Bodies (which included the Council and Academy Schools); Transferee Admission Body (TABs) (which included a range of outsourced contractors such as FM Conway, Veolia and Edwards & Blake) and Community Admission Bodies (CABs) (which in Brent included a small number of charitable organisations operating within or connected to the local authority).
- The detailed approach towards the management and mitigation of employer risk had been set within the Brent Pension Funding Strategy Statement and Administration Strategy. Members also recognised the efforts being made to address risks and issues identified in relation to specific employers on a case by case basis alongside the new powers available to administering authorities since September 2020 to review employer contributions between valuations and provide more flexible termination strategies including “deferred employer status”.
- The background and update provided in relation to admission agreements along with the summary of current outstanding agreements and terminations relating to the Fund, as detailed in Appendix 1 of the report and action being taken to resolve and progress those outstanding to completion.

The Chair thanked officers for the update provided and with no additional risks having been highlighted it was **RESOLVED** to note the report.

14. **London CIV Investment Update**

The Sub Committee received the latest update report from the London CIV (LCIV). The update included the LCIV investment review for the period ending 30 June 2021 (as detailed within Appendix 1 of the report) which provided an investment summary with valuation and performance data for Brent’s ACS holdings along with a market and LCIV activities update. Also included (as detailed within Appendix 2 of the report) was the LCIV quarterly investment review for Private Markets for the period ending 31 March 2021, which included Brent’s investments in the LCIV infrastructure fund along with valuation and performance data for the underlying portfolio investments and an update on pipeline investments.

The Sub Committee noted the LCIV net target emissions target with the commitment to become a net zero company by 2040.

With no issues raised in relation to the update provided, the Sub Committee **RESOLVED** to note the investment update provided by London CIV.

The meeting closed at 8.02 pm

S CHOUDHARY
Chair

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London Borough of Brent Pension Fund

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H2 2021 Investment Monitoring Report

Kenneth Taylor, Investment Consultant
Kameel Kapitan, Associate Consultant
Ahmed Elsaddig, Investment Analyst

Agenda Item 5

Executive Summary

Performance Summary

The assets combined to return 6% over the 6 months to 31 December 2021, outperforming the aggregate target return by 0.9%.

Global equities rose 9.5% in Sterling terms over the second half of 2021 despite the emergence of the Omicron variant as companies delivered strong earnings growth. UK equities also produced positive returns (up 6.6%) although they lagged global markets. Emerging market equities fell over the period, impacted by the emergence of the Omicron variant, and tightening monetary policy and increased regulatory pressures particularly in China.

A fall in yields over the quarter saw positive returns from the UK government bond market. Speculative grade credit markets also delivered positive returns.

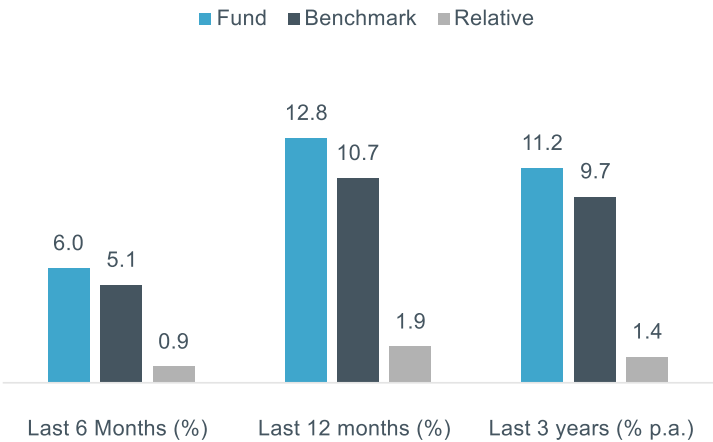
Key Actions

The investment in the BlackRock Low Carbon Fund is expected to be topped up to 3% during Q1 2022. The property allocation will also be topped up during Q1 2022, subject to receiving attractive pricing in the secondaries market.

Key points to note

- The Fund has posted positive returns over the past 6 months, ending the period with a valuation of £1,155.7m up from £1,076.2m at the end of Q2 2021.
- The Fund’s Growth holdings were again the main drivers of returns, with LGIM’s global equity mandate the primary contributor in monetary terms.
- Within the Fund’s Income holdings, the Baillie Gifford multi-asset fund produced strong performance over the period.
- The Fund made its first investments in the BlackRock Low Carbon equity fund and the LCIV private debt fund during the period. The Fund also invested £15m in the Fidelity UK property fund consistent with the decision taken at the last Committee meeting.
- The cash held by the Fund reduced over the period as this was used to fund these new investments.

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	58.9%	58.0%	0.9%
Income	27.5%	25.0%	2.5%
Protection	11.5%	15.0%	-3.5%
Cash	2.1%	2.0%	0.1%

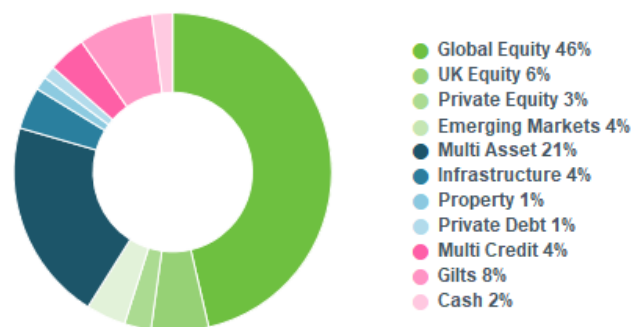
Whilst on the journey to its interim and long term targets for Property, Infrastructure and Private Debt, the current agreement is that the Fund will hold a higher allocation to DGF’s.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2021	Q4 2021			
LGIM Global Equity	474.7	520.0	45.0%	40.0%	5.0%
LGIM UK Equity	63.3	67.4	5.8%	5.0%	0.8%
Capital Dynamics Private Equity	37.8	31.4	2.7%	5.0%	-2.3%
LCIV JP Morgan Emerging Markets	50.4	46.7	4.0%	5.0%	-1.0%
Blackrock Acs World Low Crbn	0.0	15.8	1.4%	3.0%	-1.6%
Total Growth	626.1	681.2	58.9%	58.0%	0.9%
LCIV Baillie Gifford Multi Asset	137.1	143.9	12.5%	7.5%	5.0%
LCIV Ruffer Multi Asset	91.4	93.2	8.1%	7.5%	0.6%
Alinda Infrastructure	22.7	24.0	2.1%	0.0%	2.1%
Capital Dynamics Infrastructure	8.8	6.0	0.5%	0.0%	0.5%
LCIV Infrastructure	13.2	19.5	1.7%	5.0%	-3.3%
Fidelity UK Real Estate	0.0	15.0	1.3%	5.0%	-3.7%
LCIV Private Debt Fund	0.0	15.9	1.4%	0.0%	1.4%
Total Income	273.2	317.5	27.5%	25.0%	2.5%
LCIV CQS MAC	43.6	44.6	3.9%	5.0%	-1.1%
BlackRock UK Gilts Over 15 yrs	85.7	87.9	7.6%	10.0%	-2.4%
Total Protection	129.3	132.5	11.5%	15.0%	-3.5%
Cash	47.6	24.4	2.1%	2.0%	0.1%
Total Scheme	1076.2	1155.7	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



Total Fund return was positive during the period on both an absolute and relative basis. Longer term performance is also comfortably ahead of target.

UK equities lagged global markets over the period, due to the UK's higher weighting to cyclical sectors such as financials, industrials and basic materials, which underperformed over the period.

The Baillie Gifford multi-asset fund posted strong performance over the period, 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 similar at c10% and well ahead of the benchmark return of 2.3%.

The CQS mandate produced a return of 2.2% over the period, and is also showing strong performance over the year.

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

Manager performance

	Last 6 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	9.6	9.5	0.1	22.6	22.7	-0.0	20.1	20.1	-0.0
LGIM UK Equity	6.6	6.6	-0.0	18.3	18.3	-0.1	8.4	8.3	0.0
Capital Dynamics Private Equity	12.3	10.5	1.7	25.4	24.5	0.7	8.6	15.2	-5.7
LCIV JP Morgan Emerging Markets	-7.4	-5.7	-1.8	-4.6	-1.7	-3.0	8.4	8.7	-0.3
Blackrock Acs World Low Crbn	5.1	5.0	0.1	-	-	-	-	-	-
Income									
LCIV Baillie Gifford Multi Asset	5.0	1.0	3.9	9.4	2.3	7.0	7.9	2.7	5.1
LCIV Ruffer Multi Asset	2.0	1.0	1.0	10.3	2.3	7.8	9.7	2.7	6.8
Alinda Infrastructure	-	-	-	10.4	7.4	2.8	1.3	5.4	-3.9
Capital Dynamics Infrastructure	-	-	-	-32.3	7.4	-37.0	-19.1	5.4	-23.2
LCIV Infrastructure	-	-	-	2.7	7.4	-4.4	-	-	-
Protection									
LCIV CQS MAC	2.2	1.0	1.2	6.4	2.1	4.2	4.9	3.1	1.8
BlackRock UK Gilts Over 15 yrs	2.6	2.6	-0.0	-7.3	-7.3	0.1	-	-	-
Total	6.0	5.1	0.9	12.8	10.7	1.9	11.2	9.7	1.4

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

Performance shown for the BlackRock ACS World Low Carbon Fund is since inception (3 September 2021)

Performance from Alinda, Capital Dynamics and the LCIV Infrastructure funds is based on information provided by Northern Trust. For such investments, there are more appropriate measures to assess performance. Furthermore, the LCIV's infrastructure sub-fund is still in its investment phase with initial drawdowns only occurring in Q1 2020. 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 and Private Debt (see below) as asset classes.

The table above excludes the performance of the Fund's investment in the London CIV's Private Debt sub-fund. Given initial draw downs only occurred during Q2 2021, 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.

The table also excludes performance of the Fund's investment in the Fidelity UK Real Estate fund given investment was only made on 22 December 2021. Performance will be included from Q1 2022 onwards.

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
BlackRock	Acs World Low Crbn	Preferred	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	Private Debt	Not Rated	Not Rated
Fidelity	UK Real Estate	Preferred	Good
LCIV CQS	Multi Credit	Suitable	Not Rated
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated

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

There have been no changes to RI ratings over the period.

However, we would note the addition of three mandates within the table since the Q2 2021 report: the LCIV Private Debt Fund, Fidelity's UK Real Estate Fund and Blackrock's Acs World Low Carbon Fund.

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

We would note that whilst there has been no change in our (Hymans) manager ratings over the period, we are aware of developments at the LCIV in respect of the MAC mandate and CQS as the current manager. We understand that as of December 2021, CQS was moved back to 'normal monitoring' status as a result of improved performance against a range of criteria tracked by the LCIV. Further information on this development can be obtained via the LCIV.

As part of the Fund's evolving Responsible Investment agenda and in recognition of climate risk, the Fund is committed to disclosing and monitoring climate metrics within its investment strategy where possible.

As a starting point, the Fund is reporting in line with information produced by its Pool, the London CIV. In time, the Fund will seek to evolve its climate risk monitoring process by monitoring against further metrics.

The information covered here captures the c88% of the Fund's assets as at 31 December 2021. It excludes investments in property, private equity, infrastructure and private debt on account of the current lack of data in these areas.

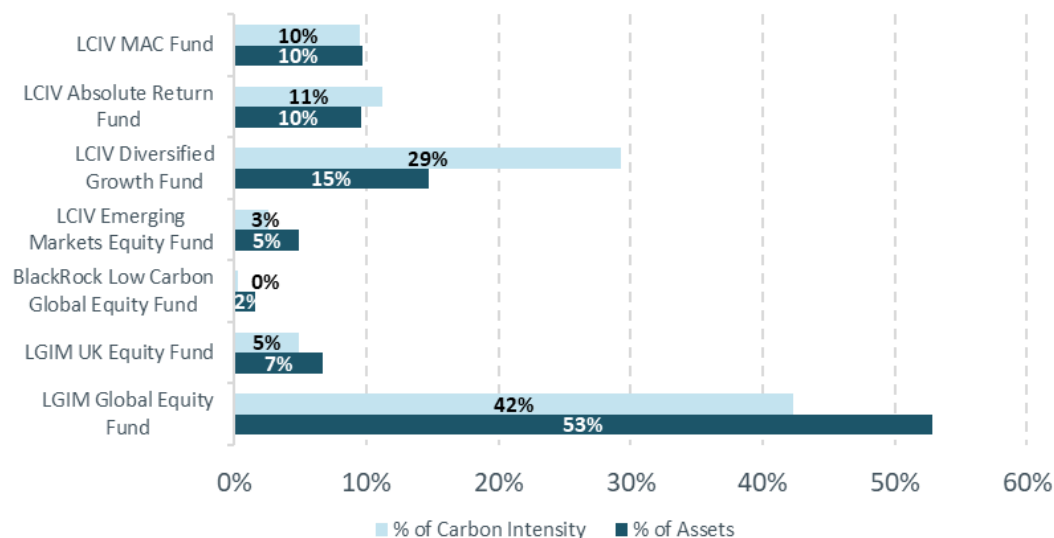
Despite only representing c.15% of assets shown here, the Baillie Gifford Diversified Growth fund is responsible for c.29% of the total carbon intensity.

Climate Risk Overview

	Weighted Average Carbon Intensity (tCO2/\$m Sales)	Fossil Fuel exposure (any activity) (%)
Fund	234.8	6.2%
<i>Composite benchmark*</i>	267.8	7.3%
<i>Relative to benchmark</i>	-33.0	-1.1%

*Composite benchmark reflects individual mandate benchmarks weighted by proportion invested

Carbon Intensity by Manager



LGIM Global Equity

The LGIM global equity mandate returned a combined 9.6% over H2 2021. This comprised of 2.2% over Q3 and 7.2% in Q4.

Performance in global equity markets remains strong over longer periods.

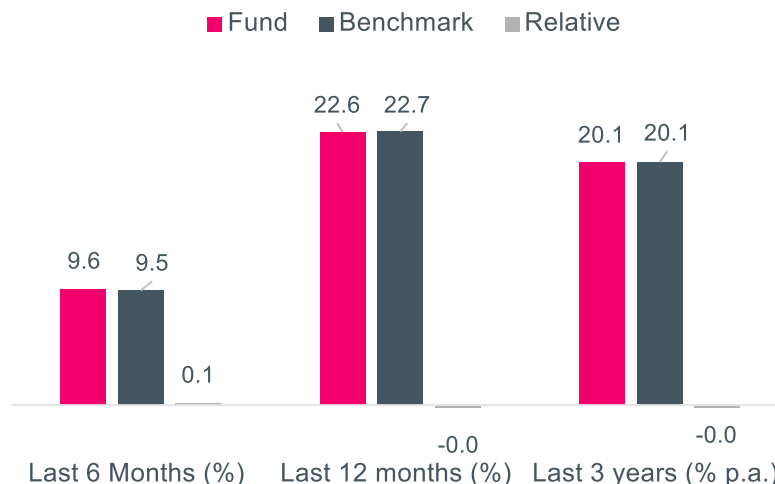
As a passively managed fund, it has matched its benchmark over all periods.

Q3 performance was more subdued as easing economic momentum, higher inflation, supply chain disruptions and possible easing of monetary support dampened market sentiment. Basic materials and consumer discretionary were key underperformers in this environment.

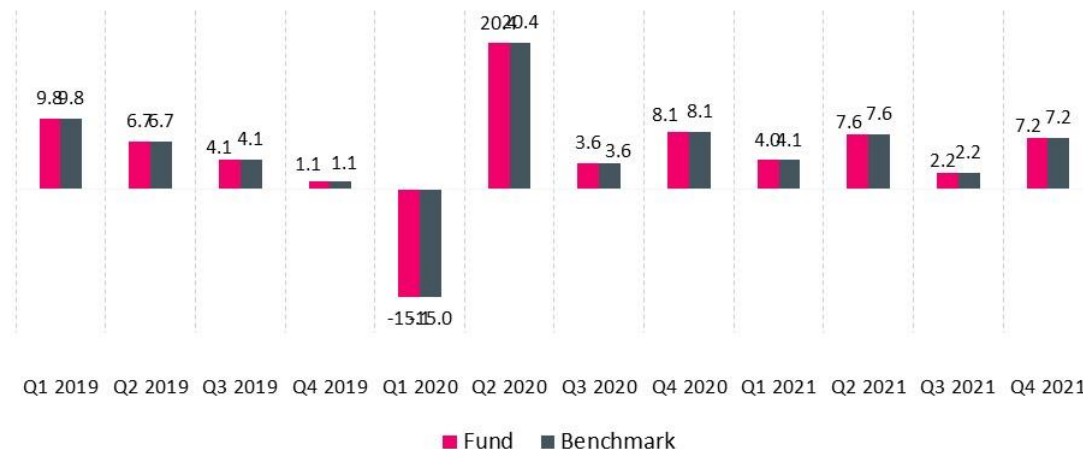
However, markets proved more resilient in Q4 despite increased volatility in the face of the emerging Omicron variant. Strong Q3 earning growth drove outperformance in the technology sector. Due to concerns over an economic slowdown, cyclical sectors lagged.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



LGIM UK Equity

The LGIM UK equity mandate returned 6.6% over the second half of 2021. This was made up of a 2.3% return over Q3 and 4.2% in Q4.

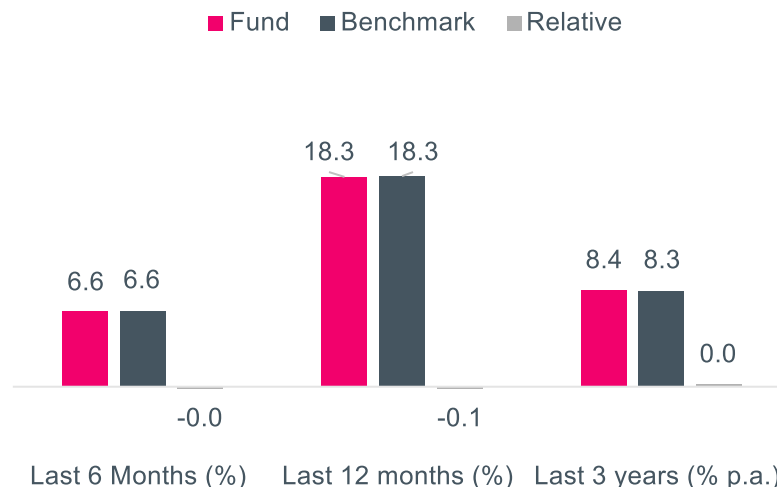
Performance over 12 months and 3 years is strong, albeit the UK market continues to lag its global counterparts at the longer end as a result of the higher weightings within the UK market to financials, industrials and materials.

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

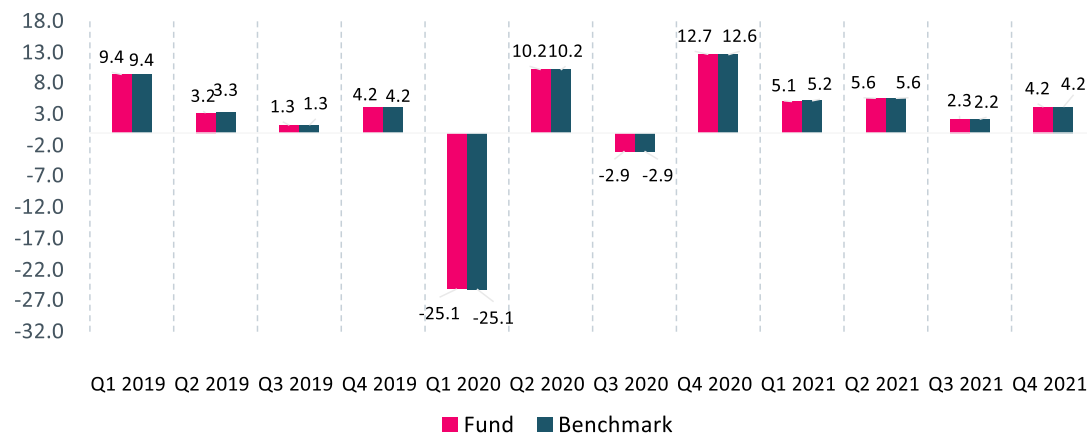
In Q3 2021, the UK outperformed wider equity markets due to its higher than average exposure to energy companies which benefited from rising oil and gas prices. A weakening Sterling also boosted the value of returns from overseas revenue. In Q4 2021, the UK market also proved resilient delivering strong positive returns but did lag global markets as the rotation away from cyclical and back towards sectors like technology favoured the US in particular.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



LCIV JP Morgan Emerging Markets

The JP Morgan Emerging Markets fund returned -7.4% over the second half of 2021, against its benchmark of -5.7%. Over 12 months the fund has returned -4.6%, underperforming the benchmark by 3.0%.

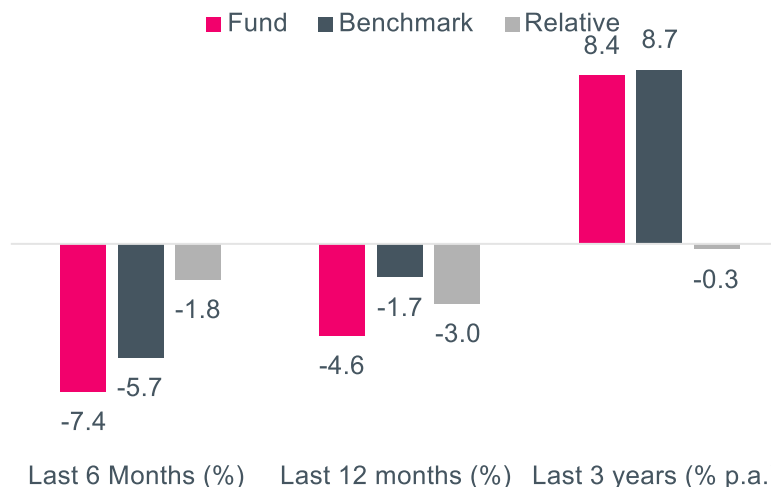
Both sector allocation and stock selection detracted from the fund's performance. Financial stocks contributed most to the underperformance, driven by China and India's zero-tolerance COVID-19 policies. HDFC Bank in India and insurer AIA (headquartered in Hong Kong), both fell victim to Omicron due to travel restrictions.

Tightening monetary policy and an increase in regulatory pressures, especially in China, hampered performance within emerging markets. Chinese government involvement in the gaming sector and restrictions on the time youths are allowed to spending online negatively impacted stock of tech and gaming giants in the period.

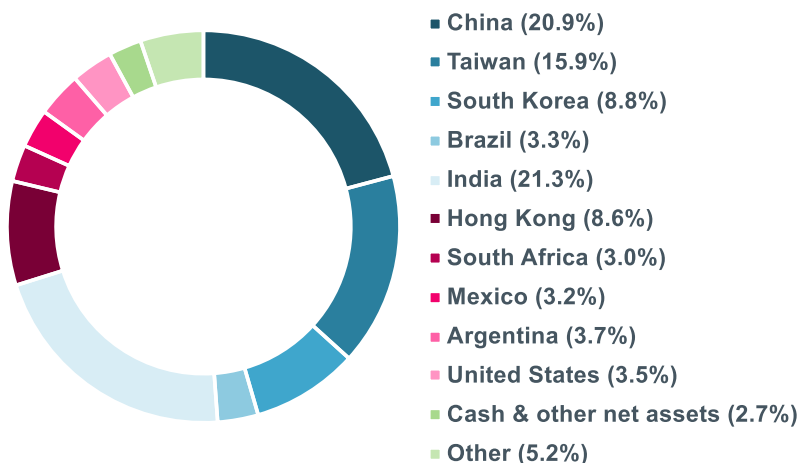
The manager believes three factors will impact emerging market equities in the short to medium term: COVID-19 concerns, cyclical sectors and the regulatory environment in China.

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

Fund Performance versus benchmark



Fund Regional Allocation



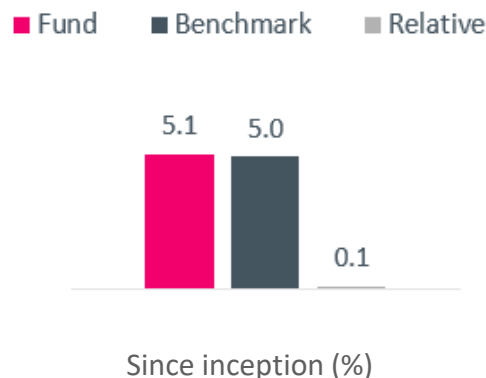
Blackrock ACS World Low Carbon

This is a new mandate with the Fund having made an initial investment in Q4 2021. A second investment in the Fund is scheduled to be made in Q1 2022.

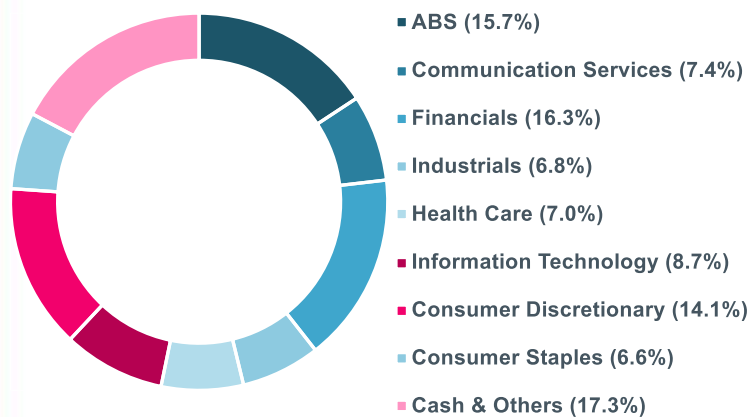
The Fund aims to closely track the performance of the MSCI World Low Carbon Target Reduced Fossil Fuel Index.

The fund returned a positive performance of 5.1% since inception in September 2021, outperforming its benchmark for the period by 0.1%.

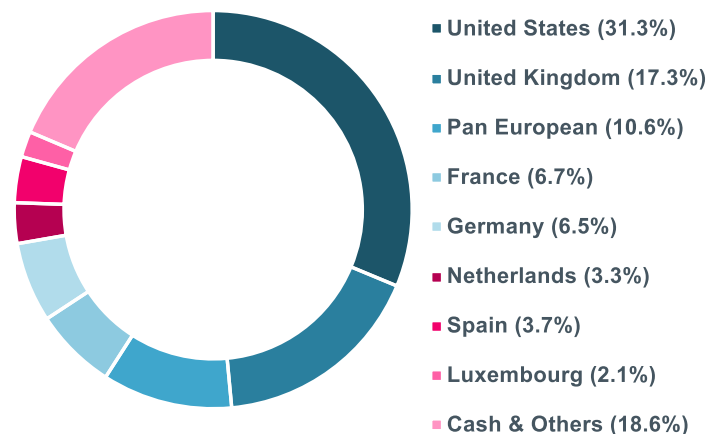
Fund performance vs benchmark



Sector allocation



Geographical breakdown



Capital Dynamics Private Equity

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

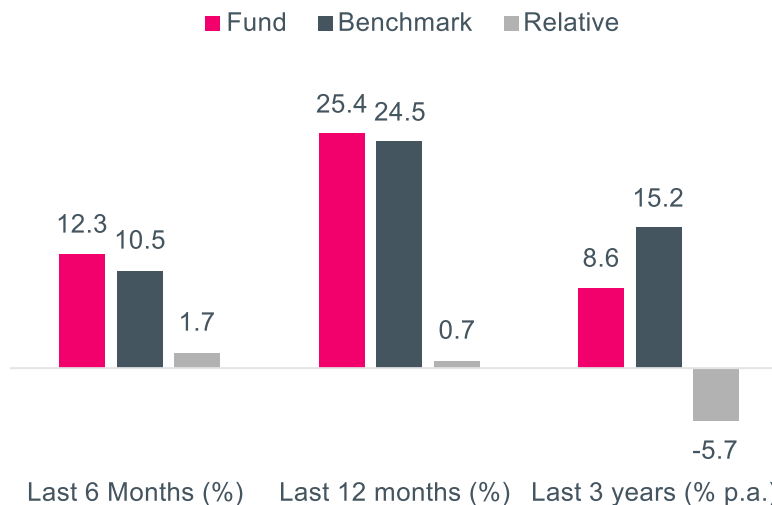
Based on information provided by Northern Trust, the fund returned 12.3% over the period ahead of its benchmark of 10.5% by 1.6%.

Over the more meaningful 3 year time period, the fund has returned 8.4% per annum although performance is behind benchmark and this the target return of MSCI All World +3% p.a. too.

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 30 June 2021

Total contributed: c.91.5%

IRR: 10.4%

TVPI: 1.7x

LCIV Baillie Gifford Multi-asset

Over the second half of 2021, the fund outperformed its target of 1.0%, returning 5.0% net of fees. Performance over longer time periods months is also strong.

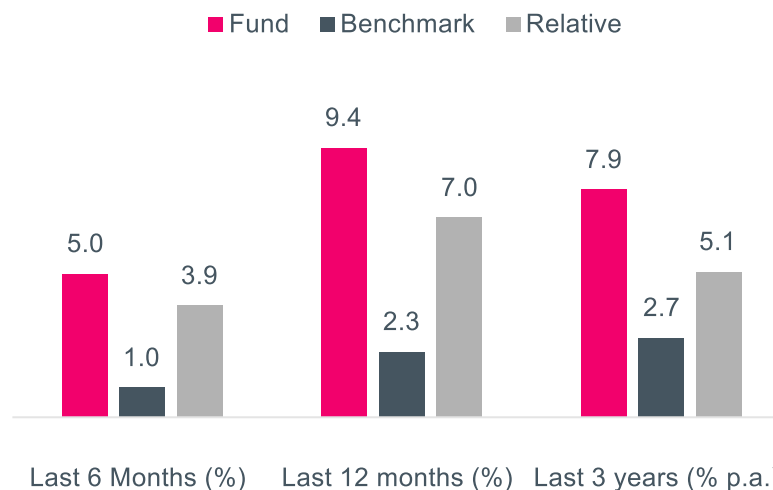
Key contributors to performance were the fund's exposures to listed equities, property and infrastructure.

Positive returns were partially offset by falls in the absolute return asset class. Additionally, key commodity holdings were affected by regulatory restrictions in China, e.g. slowdown in the Chinese property market caused a sharp decline in the price of metals.

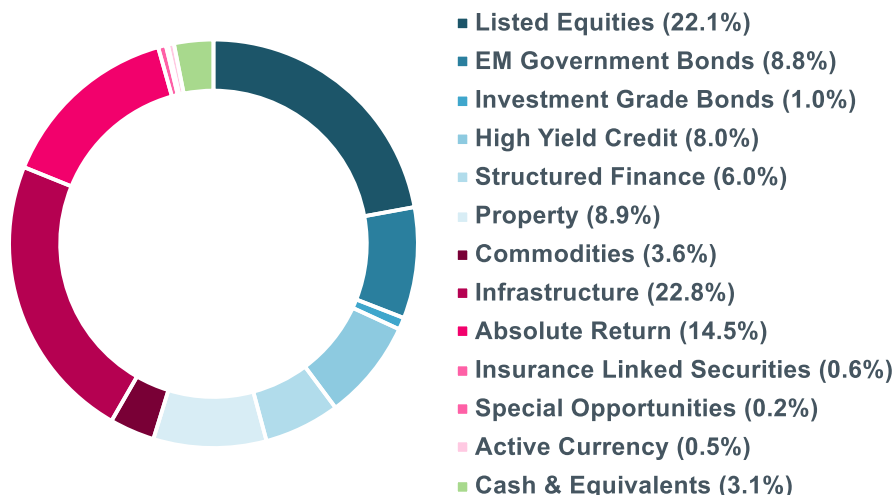
The manager made changes to its absolute return allocation, with a new position in an oil backward dated strategy and a volatility strategy which looks to perform well in spells of low volatility. Listed equity allocations were reduced to lower the number of cyclical stocks.

Ballie Gifford's positive outlook on the global economy is supported by the easing of restrictions in many developed economies, continuing effective vaccine rollout, and fiscal and monetary policies. The manager is optimistic on many new opportunities e.g. blockchain, crypto-assets and smart electricity.

Fund Performance versus benchmark



Fund Asset Allocation



LCIV Ruffer Multi-asset

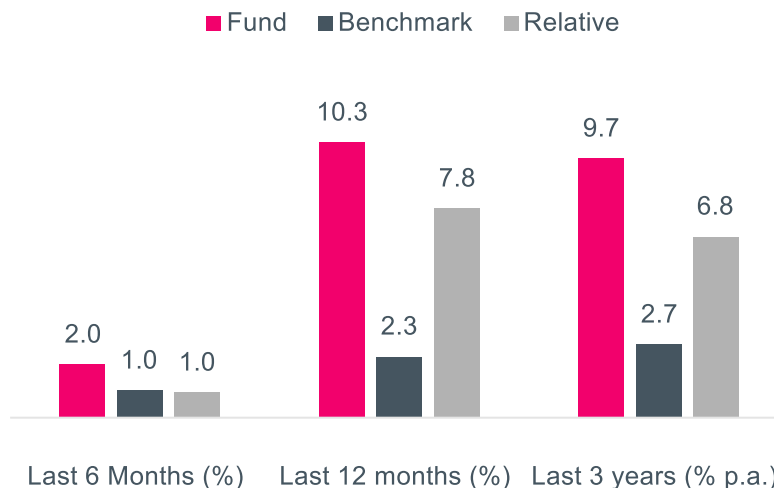
The Ruffer Multi-Asset fund returned 2.0% over the last 6 months, outperforming the benchmark by 1.0%. Longer term performance remains strong.

Performance was largely driven by positive performance of equities, which proved resilient despite headwinds in the face of inflation, supply chain constraints and the emergence of Omicron. A further boost for the portfolio resulted from the performance of inflation linked government bonds as investors sought protection from rising inflation.

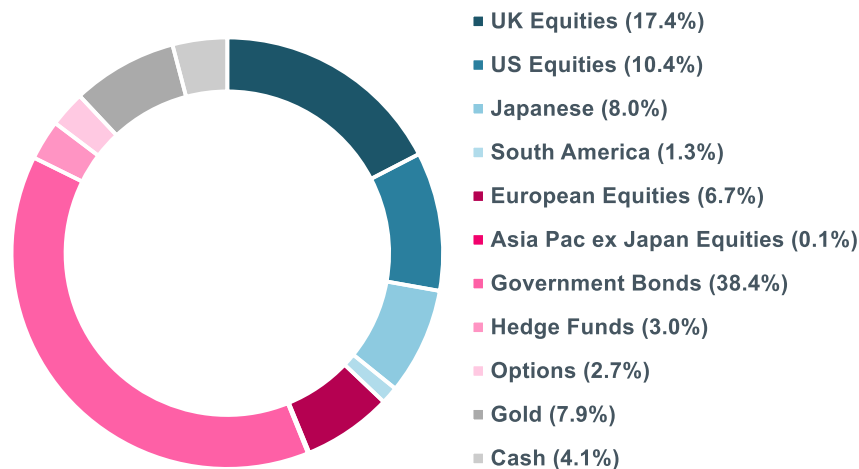
Due to poor performance in Q3, Ruffer reduced exposure to gold and gold producers, however these performed well in Q4, adding 0.7% to performance. Additionally, the manager adjusted its interest rate exposure during Q4 in response to increased volatility in the bond markets, which saw the fund incur some losses over Q4.

The portfolio position going forward remains focused on protecting the fund against long-term inflation and volatility from inflation in markets. As such, the manager has chosen to focus on assets that perform well during reflation periods, in particular, equities and inflation linked bonds. The manager also holds a number of equity options to mitigate against market volatility.

Fund Performance versus benchmark



Fund Asset Allocation



Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

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

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

Remaining capital commitments as at 30 September are as follows:

Alinda II: \$3,308,129

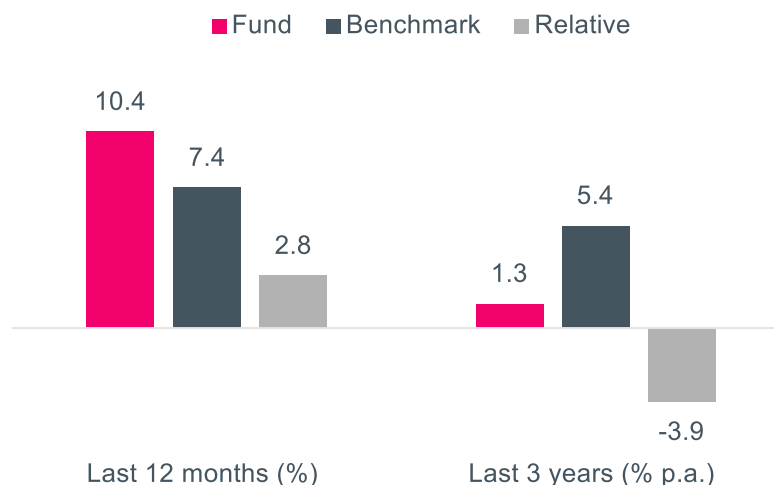
Alinda III: \$8,174,528

The following net distributions (distributions less contributions) were made over Q3 and Q4 2021:

Alinda II: \$1,302,381

Alinda III: \$277,960

Fund performance vs benchmark



Summary as at 30 September 2021 (\$)

Alinda Fund II	
IRR (Gross)	5.3%
IRR (Net)	2.7%
Cash yield	6.9%
TVPI (Net)	1.1x

Alinda Fund III	
IRR (Gross)	21.8%
IRR (Net)	14.6%
Cash yield	10.1%
TVPI (Net)	1.4x

LCIV Infrastructure

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

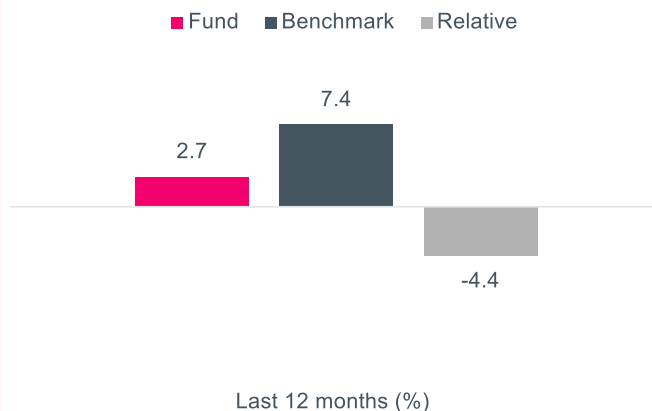
The LCIV Infrastructure fund is managed by Stepstone.

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 £1.5m drawn down over Q3, bringing the NAV at 30 September 2021 to £15.6m (provided by LCIV). This NAV will be different to that provided by Northern Trust (NT) in their 30 September 2021 report due to the need for estimation by NT given the lagged reporting of actual NAV.

Fund performance vs benchmark

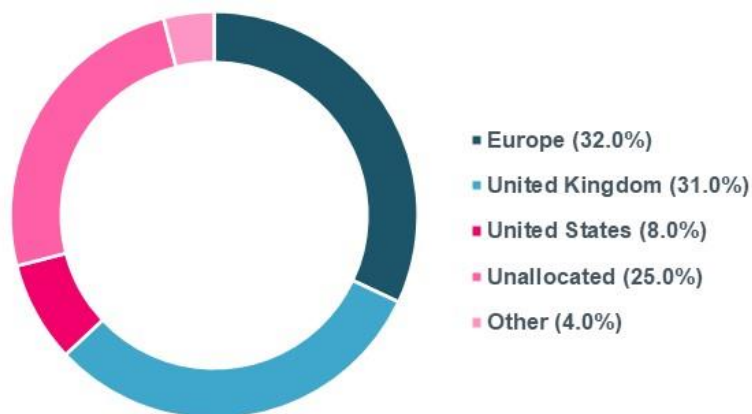


Fund Statistics as at 30 September 2021 (£m)

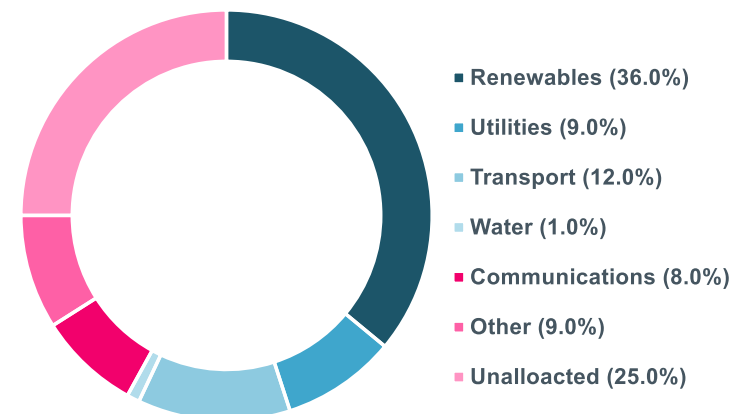
Capital committed	£50.0
Total contributed	£15.3
Distributions	£0.0
Value created	£0.3
Net asset value *	£15.6

*as provided by LCIV

Fund Geographical Allocation (30 September 2021)



Fund Sector Allocation (30 September 2021)



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.

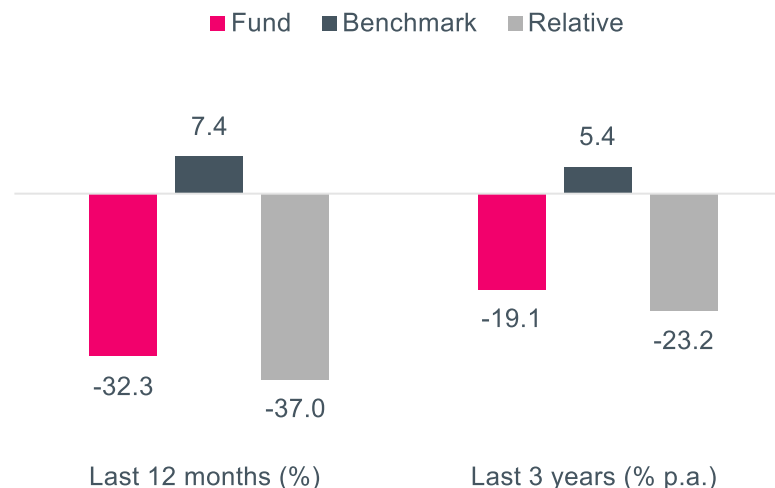
With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

Reporting on underlying commitments is as at 30 September 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, although running performance has marginally improved over the 6 months since 31 March 2021.

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 30 September 2021 (figures in \$m where applicable)

Capital committed \$15.0

Total contributed \$14.7

Distributions \$1.2

Value created (\$5.4)

Net asset value \$8.1

Net IRR since inception (5.7%)

Total value-to-paid-in-ratio (TVPI) 0.67x

LCIV Private Debt Fund

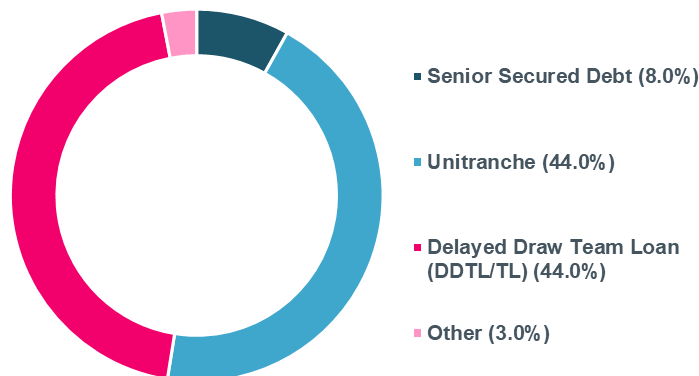
Target: Absolute return of c6.0%

The LCIV Private Debt Fund consists of two underlying managers: Pemberton and Churchill.

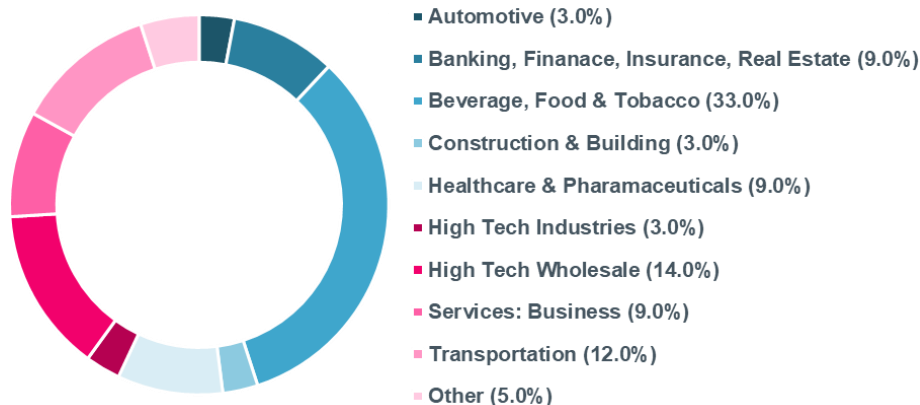
The two key metrics to assess performance for private debt investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

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.

Portfolio investment type



Sector allocation



LCIV CQS Multi Credit

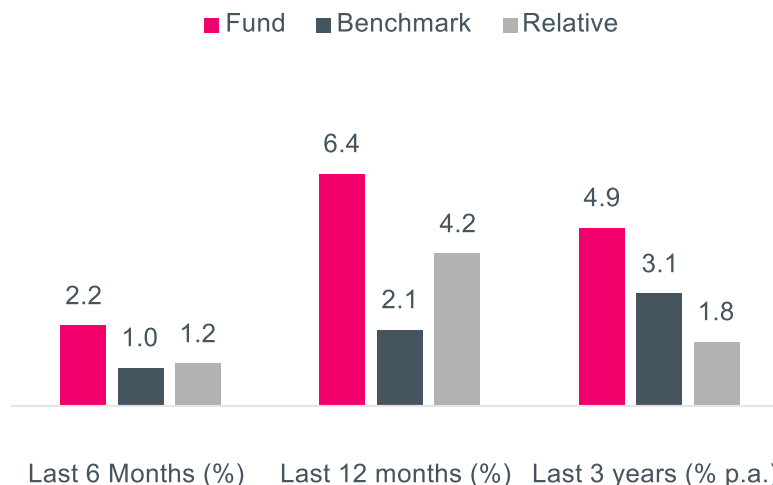
Over the second half of 2021 the LCIV's multi-asset credit strategy returned 2.2% against a benchmark of 1.0%. Performance was broadly similar over the two quarters. 12 month performance has been strong, with the fund returning 6.4%. This recent improvement in performance has resulted in longer term performance being ahead of benchmark.

The third quarter was saw positive returns earned during July and August when market conditions remained relatively calm. September brought volatility to fixed income markets as concerns over rising inflation saw yields increase on government bonds.

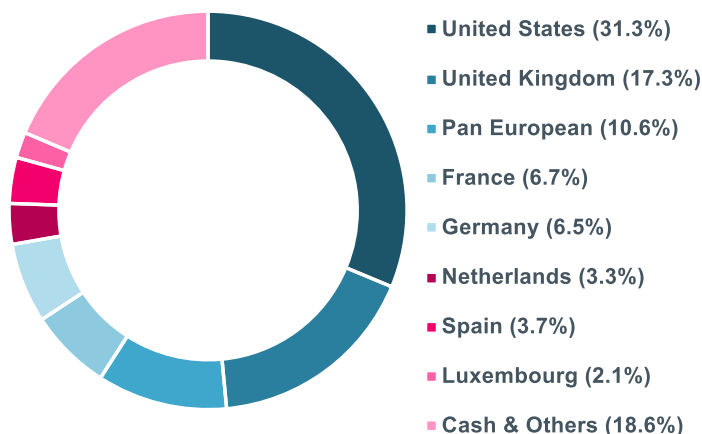
Volatility continued into Q4 although strong corporate balance sheets and earning growth lent fundamental support.

Loans, in particular senior secured, outperformed high yield bonds over the period. The mandates bias towards this asset class proved favourable. From a regional perspective, the European market outperformed their US counterparts. The manager continues to position the portfolio with a European bias due to what they view as attractive relative value and a better landscape. in Europe.

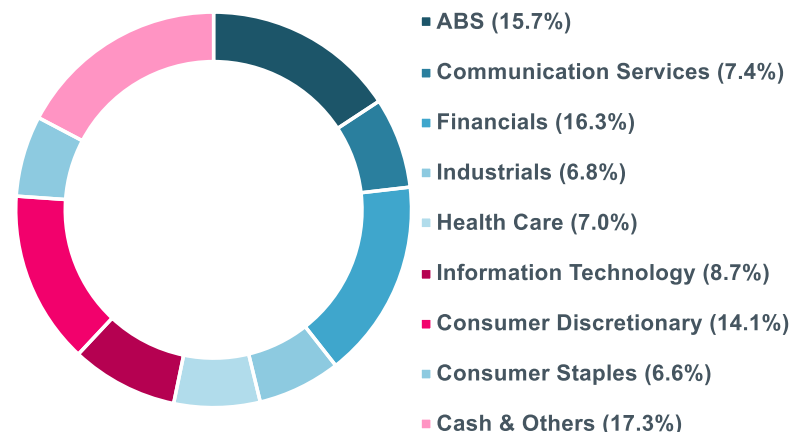
Fund performance vs benchmark



Country Weights



Sector Weights



BlackRock UK Gilts

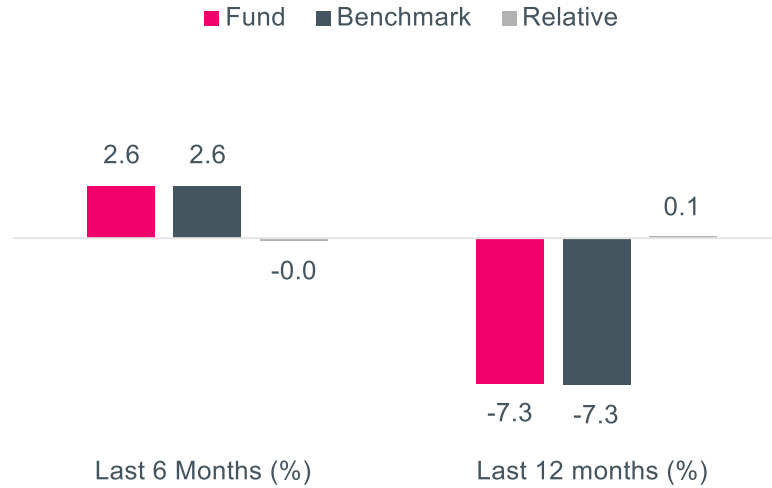
BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

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

Over the period the fund returned 2.6% as longer dated gilt yields fell over Q4 2021. This fall and the subsequent gain in value offset the negative returns experienced over Q3 2021.

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Fund performance vs benchmark



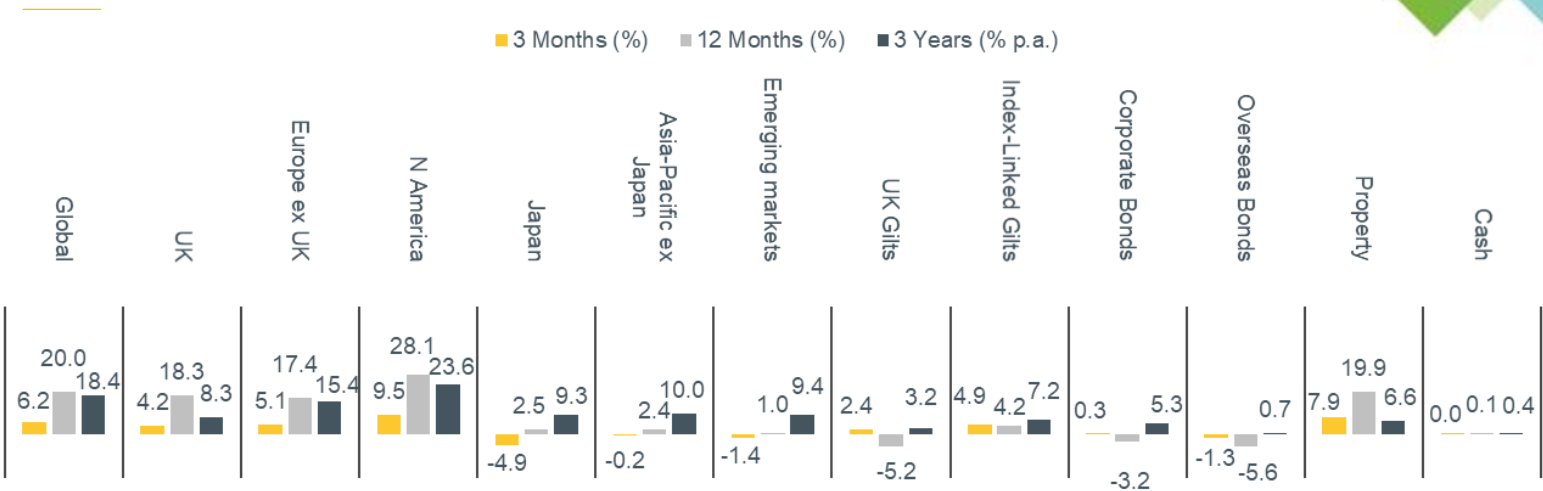
Economic momentum has slowed as rising COVID cases have led to a modest re-imposition of restrictions and increasing social distancing. This is expected to weigh on growth in Q4 2021 and Q1 2022, but we still anticipate above-trend growth in 2022.

There are signs that the strain on supply chains is easing, though the overall rate of price increases remains high. UK headline CPI inflation rose to 5.1% year-on-year in November whilst the equivalent US and eurozone measures rose to 6.8% and 4.9% respectively. In response, the Federal Open Markets Committee (FOMC) announced plans to accelerate the tapering of asset purchases, with the median FOMC member forecasting three rate hikes next year. The Bank of England raised rates to 0.25% p.a., with further rate hikes expected in 2022.

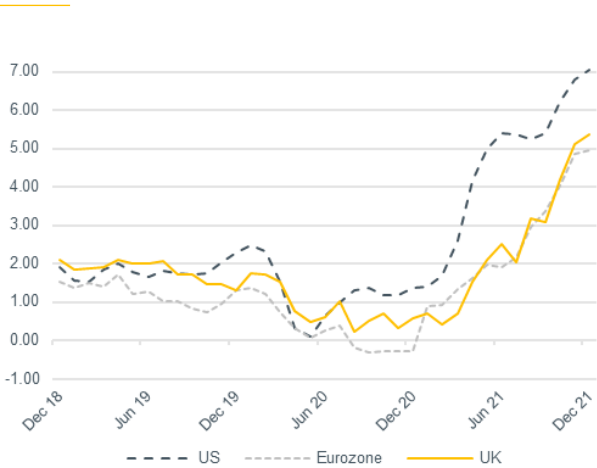
Trade-weighted sterling rose 1.7% through the quarter as markets adjusted for the earlier than expected rate rises. The US dollar rose 0.6% in trade-weighted terms, perhaps reflecting both safe haven appeal and slightly more hawkish messaging from the Federal Reserve.

US and UK bond yield curves flattened with short-term yields rising to reflect expectations of further interest rate hikes. Long-term yields remained largely unchanged. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, ended the quarter a little higher at 3.9% p.a. whilst longer term implied inflation fell. US 10-year implied inflation rose 0.2% p.a. to 2.6% p.a.

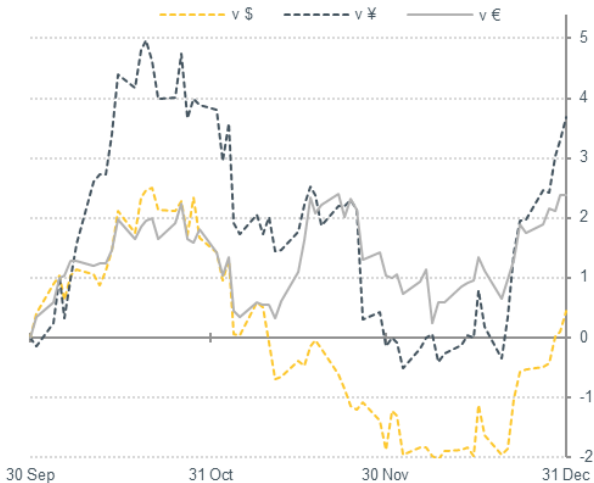
Historic returns for world markets ^[1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



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.

Market Background

Global investment-grade spreads increased by 0.1% p.a. to 1.0% p.a., whilst speculative-grade spreads ended the quarter broadly in line with end-September levels at 3.7% p.a.

Despite falling in November over Omicron variant concerns, global equities produced a total return of 7.0% in Q4, propelled higher by strong earnings growth. Sterling strength weighed on returns to unhedged UK investors delivering a 6.2% return in sterling terms. All sectors produced positive returns except telecoms, on an absolute basis. Outside telecoms, energy and financials were the main underperformers, weighed on by demand expectations and flatter yield curves, respectively. Technology was the notable outperformer, bolstered by strong earnings releases and the prospect of further lockdowns spurring demand in tech.

North America posted double digit returns on the back of tech outperformance. Japan, which reintroduced strict border restrictions shortly after the Omicron variant was made public, is at the bottom of the regional performance rankings over the quarter. Asian and emerging markets also continued their underperformance versus developed markets.

UK Monthly Property capital value index rose 13.9% over the 12 months to end December due to a buoyant industrial sector, where capital values have risen 32.5%. Retail capital values have risen by 6.9% over 12 months. There has been a flattening of the declines experienced in the office sector, delivering marginally positive capital growth of 0.1% over 2021. Total return on the index, including income, was 19.9% in the 12 months to end December.

Dashboard

Strategy / Risk

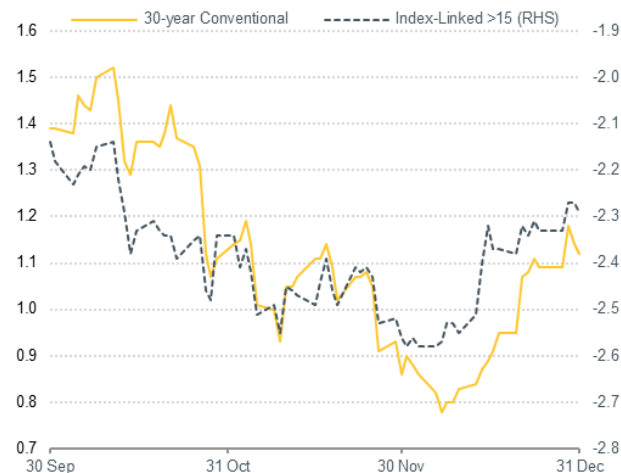
Performance

Managers

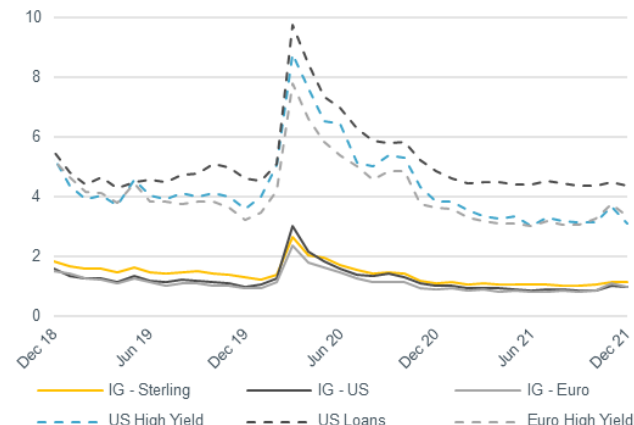
Background

Appendix

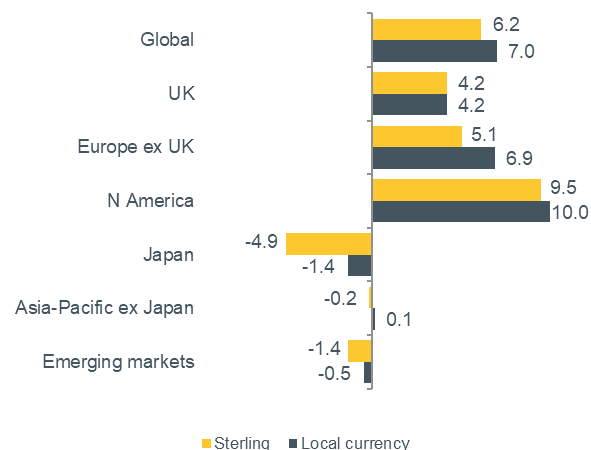
Gilt yields chart (% p.a.)



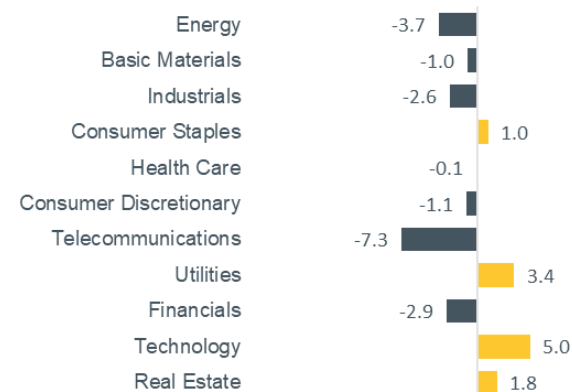
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns ^[1]



Global equity sector returns (%) ^[2]



Source: DataStream, Barings, ICE ^[1]FTSE All World Indices. Commentary compares regional equity returns in local currency. ^[2]Returns shown in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

Hymans Rating

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

Responsible Investment

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

Risk Warning

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

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

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Geometric v Arithmetic Performance

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

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


Some industry practitioners use the simpler arithmetic method as follows:

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

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

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

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	Pensions Fund Sub-Committee 21 February 2022
	Report from the Director of Finance
Net Zero Transition Roadmap Update	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One <ul style="list-style-type: none"> Roadmap to net zero - update
Background Papers:	Net Zero Transition Roadmap – 5 October 2021
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	<p>Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk</p> <p>Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk</p> <p>Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk</p> <p>Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk</p>

1.0 Purpose of the Report

- 1.1 This report presents an update on progress against the Fund's net zero transition roadmap.

2.0 Recommendation(s)

That the Pension Fund Sub-Committee:

- 2.1 Note the update on progress on the net zero road map as outlined in Appendix 1.
- 2.2 Agree to the climate metrics set out in Appendix 1 and to expand climate metrics further to include forward looking metrics.

3.0 Detail

- 3.1 The Fund's investment advisors, Hymans Robertson, have prepared the attached report, in Appendix 1, which provides an update on work undertaken with officers on progress against the roadmap that was previously agreed with the Pensions Fund Sub-Committee ("Committee").
- 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 Responsible Investment ("RI") training sessions for Fund Officers and Committee members;
 - Introduction of RI focussed investment beliefs;
 - Investment in a new low carbon mandate (BlackRock ACS World Low Carbon Equity Tracker) and a new infrastructure fund with a significant allocation to renewables (LCIV Infrastructure Fund); and
 - Updated Investment Strategy Statement (ISS) to reference carbon goals.
- 3.4 At the last Committee meeting in October 2021, the Committee was presented with a practical 'roadmap' to net zero for the Fund, which considered the following key principles:
- A background to 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 report discusses the following key topics:
- Progress against the short term road map (12-18 months) which was agreed at the last meeting;
 - A review of the key challenges facing the Fund from decarbonisation;

- The strategic context considering the Fund's current carbon emissions and the levers available to the Fund: capital allocation supported by ongoing engagement;
- Agree carbon metrics to be monitored;
- Introduce carbon metrics reporting into quarterly performance report;
- Assess feasibility of different net zero target dates.

4.0 Financial Implications

- 4.1 There are no direct financial implications arising from this report. Any changes to the Fund's investment strategy or its choice of investments will be brought forward to a future Committee meeting for decision.

5.0 Legal Implications

- 5.1 The 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.
- 5.2 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.
- 5.3 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.

6.0 Equality Implications

- 6.1 The proposals in this report have been subject to screening and Officers believe that there are no adverse equality implications.

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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Roadmap to net zero

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London Borough of Brent Pension Fund

Kenny Taylor, Investment Consultant

Kameel Kapitan, Investment Consultant

21 February 2022



Introduction

- The Pension Fund Committee (“Committee”) of the London Borough of Brent Pension Fund (“the Fund”) intends to commit to a goal of achieving net-zero carbon emissions across its asset portfolio.
- Before making a specific commitment, the Committee and Officers of the Fund may wish to evaluate the implications of potential goals and target dates in terms of the key actions (or roadmap) that will need to be taken to achieve each goal.
- The roadmap on the next page shows the plan of action for the next 12 months. The topics discussed in this paper are shown below:
 1. Strategic context
 2. Agree carbon metrics to be monitored
 3. Introduce carbon metrics reporting into quarterly performance report
 4. Assess feasibility of different net zero target dates
- This paper should not be released or otherwise disclosed to any third party without our prior written consent except as required by law or regulatory obligation. We cannot be held liable for any loss incurred by a third party relying on this report without such permission.

Short-term roadmap

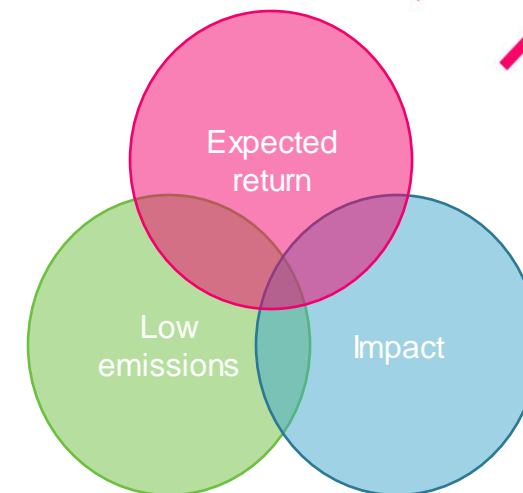
Workstream	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Education	Training (5 October 2021 meeting) Begin review of RI beliefs/priorities (capturing 'E', 'S' & 'G')	Training (21 February 2022 meeting) Complete review of RI beliefs/priorities (capturing 'E', 'S' & 'G') Define stewardship role and monitoring 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

Introduction



Some key decarbonisation challenges

- The Fund must remain focused on its primary obligation to pay benefits to its members, including consideration of any associated risks
- Decarbonising a portfolio which is invested globally, across many sectors, is more challenging than decarbonising an individual organisation
- Decarbonising whole economies without causing grave damage to individuals prosperity and standard of living will take many years; a balanced approach is required
- Switching to a low carbon portfolio over the short term will not necessarily support the global transition to net zero
- Measuring climate risk effectively remains challenging particularly in private markets
- Effective management of climate change will involve capturing opportunities as well as mitigating risks
- Effective engagement is harder than divestment, but more constructive
- Robust investment solutions are only now becoming available



Achieving a good balance is key



Sustainable investment can be about more than limiting climate change

Strategic context



Key points

- Equities are currently the largest contributor to the Fund's carbon emissions
- Consider low carbon alternatives as part of growth assets review
- Carbon intensive legacy investments are being wound down
- And being replaced with more impact-focussed funds offered through LCIV
- Expect 40%+ of Fund's assets to be invested in LCIV funds
- LCIV targeting net zero by 2040 and is a key partner
- Review Fund's existing mandates in the context of net zero target
- Set series of short, medium and long-term targets for carbon emissions
- Engage with managers (including LCIV) on actions to reduce carbon emissions

Two levers: capital allocation supported by ongoing engagement

Strategic context

Current position

Growth assets (c£650m)

- Equities are largest contributor to Fund's carbon emissions
- Invested with LGIM and BlackRock
- BlackRock fund accesses global equity market with c85% reduction in carbon emissions

Income assets (c£300m)

- Multi-asset, infrastructure and private debt funds now invested through LCIV
- Recent investment in property through Fidelity, who are rated highly on RI

Protection assets (c£175m)

- Multi-asset credit fund, gilts and cash

Capital allocation

- Consider low carbon alternatives to LGIM funds, possibly through LCIV
- Some funds deliver immediate reduction in emissions; some offer progressive reductions
- Allow Capital Dynamics private equity fund to wind down

- Build up existing investments in LCIV infrastructure and private debt funds
- Alinda and Capital Dynamics infrastructure funds winding down
- Increase property investments in highly-rated managers

- Review steps being taken by LCIV to reduce carbon emissions in multi-asset credit fund
- Review alternatives to gilts fund, including move towards "green gilts"

Map out expected reduction in carbon emissions as a result of these strategic changes

Monitoring and engagement

- Review steps being taken by LCIV, BlackRock, LGIM to deliver ongoing reductions in carbon emissions and on the Fund's broader ESG priorities

- Review steps being taken by LCIV, property managers to deliver ongoing reductions in carbon emissions and on the Fund's broader ESG priorities

- Review steps being taken by LCIV to deliver ongoing reductions in carbon emissions and on the Fund's broader ESG priorities

Monitor progress against targets and engage, challenge managers on actions being taken, including LCIV

Framework to support Fund's climate ambitions

We propose adopting the following three-dimensional framework to support Fund's climate ambitions:

Carbon metrics

Develop reporting of carbon metrics and monitoring against targets metrics

- Agree metrics and set ambitious targets for each, that supports the net zero target.
- Monitor progress against these targets
- Review Fund's investments in relation to these metrics, set appropriate targets and a plan for progress

Opportunities

Seek investments that support journey to net zero and benefit from transition

- Review Fund's existing mandates in the context of the net zero target.
- Identify which mandates may be replaced by climate-related investment opportunities (e.g. low carbon/Paris-Aligned equities) to support, and benefit from, the low carbon transition.
- Consider a target of [10%] of the Fund invested in assets that directly support the transition to a low carbon economy.

Engagement

Engage with LCIV, managers and other stakeholders to bring change

- Engage with LCIV and managers to challenge actions and encourage best practice, referencing Fund's beliefs and climate ambitions.
- Consider divestment/reallocation of capital if engagement does not give impact.
- Engage with LCIV and managers on voting activity on climate-related issues.
- Agree actions on collaboration and public disclosure of Fund activities to encourage change.

Net zero

Achieve Net Zero carbon emissions for the Fund

Carbon metrics



Key points

- Committee needs to select carbon metrics to be monitored
- Range of carbon metrics and quality of underlying data likely to evolve over time
- For example, reporting of scope 3 emissions is not widespread currently
- Proposal to Committee:
 1. Adopt the metrics being published by LCIV
 2. Review and refine metrics as range and quality of data evolves
 3. Incorporate forward looking metrics in future
- Asset coverage is very good – able to report metrics for 88% of Fund's assets
- Plus coverage is expected to increase over time

Proposed metrics (initial phase)

Metric	Definition	Description
Carbon Intensity	GHG emissions* (tonnes CO2 equivalent) per m revenue/market value.	Carbon intensity is a measure of how much CO2 is produced by a portfolio of companies relative to the size of their business operations or market value. Total carbon emissions are normalised by total annual revenues or value invested, allowing comparisons to be made across investments of different sizes, time periods and indices.
Weighted Average Carbon Intensity ("WACI")	Average GHG emissions* per m revenue, weighted by the value of the investment in the portfolio	WACI also measures exposure to carbon-intensive companies but reflects weightings to the individual companies within the fund or index. Again, comparisons can be made across investments of different sizes, time periods and indices.
% Ties to Fossil Fuels	Percentage of the portfolio invested in companies with an industry tie to fossil fuels, in particular reserve ownership, related revenues and power generation	

*At the moment, GHG emissions usually reflect **Scope 1 and 2** emissions only. **Scope 3** emissions likely to be included in future as quality of data and reporting improves.

Forward looking metrics

- Proposed metrics are backward looking
- Helpful also to include forward looking metrics in next phase – for example:

Forward looking metrics

Aggregated Warming Potential

The security's alignment temperature when referencing a combined approach which takes into account Scopes 1, 2, 3 and "cooling" potential (including emission reduction targets set by the firm). A score of 2°C suggested that the companies current emission and management strategies are aligned with a 2°C climate change scenario.

Low Carbon Transition Score

Company level score that measures a company's level of alignment to the Low Carbon Transition. Companies with higher Low Carbon Transition score are more aligned with the Low Carbon Transition compared to the companies with lower scores .

Estimated Impact of 2°C Scenario

Reflects a company's aggregated downside policy risk exposure according to all emission sources (Scope 1, 2, 3) it is expressed as a percentage of the company's market value. The metric assuming a global 2°C target and uses carbon prices from the AIM CGE model.

Forward looking estimates of carbon emissions

For example MSCI provides estimates of emissions in 2030 on the basis of commitments made by individual companies.

Carbon reporting



Initial climate risk analysis as at 31 December 2021

Climate Risk Analysis

As part of the Fund's evolving Responsible Investment agenda and in recognition of climate risk, the Fund is committed to disclosing and monitoring climate metrics within its investment strategy where possible.

As a starting point, the Fund is reporting in line with information produced by its Pool, the London CIV. In time, the Fund will seek to evolve its climate risk monitoring process by monitoring against further metrics.

The information covered here captures the c88% of the Fund's assets as at 31 December 2021. It excludes investments in property, private equity, infrastructure and private debt on account of the current lack of data in these areas.

Despite only representing c.15% of assets shown here, the Baillie Gifford Diversified Growth fund is responsible for c.29% of the total carbon intensity.

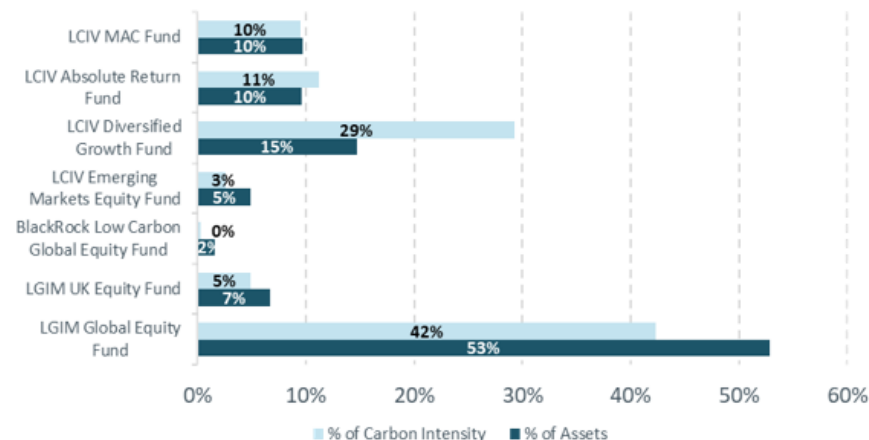
Dashboard Strategy / Risk Performance Managers Background Appendix

Climate Risk Overview

	Weighted Average Carbon Intensity (tCO2/\$m Sales)	Fossil Fuel exposure (any activity) (%)
Fund	234.8	6.2%
Composite benchmark*	267.8	7.3%
Relative to benchmark	-33.0	-1.1%

*Composite benchmark reflects individual mandate benchmarks weighted by proportion invested

Carbon Intensity by Manager



Source: Investment Managers, London CIV, Benchmark for equity and multi-asset funds is MSCI ACWI

Setting a net zero target date

The Paris Agreement

- The Paris agreement was a legally binding international treaty on climate that is driving policy change.



197
Signatories

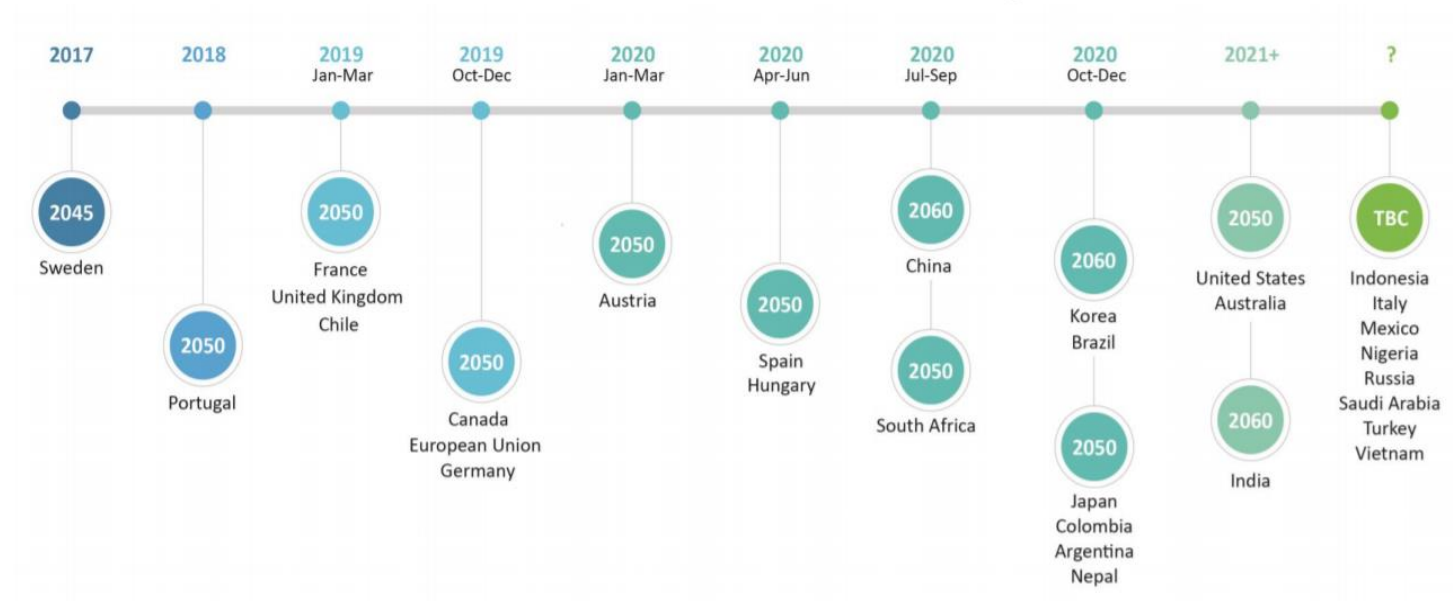


1.5°C
Limit global warming



2050
Net zero timeframe

Announcement timeline for net zero emissions targets



Example net zero goals and considerations

Timeframe	2030	LCIV 2040	2045	2050	2060
Sovereign Pledges	3 - Barbados, Maldives, Mauritania	3 - Sweden, Germany, Nepal	50 – incl. US, EU, Japan, UK	7 – incl. China, Kazakhstan	
Pension plan examples	South Yorkshire LGPS, the Pensions Regulator (tPR)	Transport for London Pension Fund, Environment Agency, Pennon	TPT, Majority of DB pension schemes that have declared, incl. Tesco, Unilever, HSBC	None	
Potential Strategies	Limited universe of asset classes/stocks Intensive use of offsetting	Wide investment universe, more exclusions Promote climate-strategy innovation Stronger engagement and advocacy	Wide investment universe, limited exclusions Adoption of climate-driven investment strategies Proactive engagement	Unlimited investment universe Climate-passive investment strategies “Free riding”	
Implications	Lower financial returns Reduced diversification, increased risk Limited contribution to financing the decarbonisation process Use of scarce offsetting capacity Offsetting costs	Potentially enhanced medium term financial returns from evolving markets May capture higher proportion of climate opportunities Short-term volatility and execution costs likely higher	Market aligned financial returns Balance progressive reduction in carbon emissions with support for climate solutions providers	Potential for higher short-term and future financial returns from unwanted holdings Potentially higher risk	

Source: ClimateWatch

Setting an appropriate target date

2040

	Proportion of assets (%)
LCIV (on platform)	32%
LCIV (under umbrella)	52%
Non-LCIV	16%

Investing through LCIV provides natural alignment to 2040 with relatively clear visibility as to the strategic repositioning required:

- LCIV platform mandates already seeking to align to 2040
- Non-LCIV platform mandates can be replaced/complemented in time with LCIV equivalents aligned to 2040

2040 is itself a challenging target, ahead of many governments, institutions and corporations.

LCIV relatively cost effective means of delivering on a challenging net-zero target

2030?

2050?

- Pooling directive in place means Fund's investments will likely still need to be via an LGPS pool.
- Fund will need to find alternative method of delivering net-zero at a date other than 2040
- Likely to include the use of:
 - Derivatives (climate risk overlay)
 - Carbon Offsetsboth of which can be complex and costly to implement and manage on an ongoing basis
- Tilts away from engagement – more reliance on divestment
- Could result in missed investment opportunities – is Fund delivering on fiduciary duty?
- Divestment reduces real world contribution

A date other than 2040 presents greater challenges

Actions and interim targets

Portfolio level

- Reduce carbon intensity as measured by WACI by X% by 2025 and by Y% by 2030 versus 2021 base year
- Reduce exposure to fossil fuels by X% by 2025 and by Y% by 2030 versus 2021 base year
- Invest at least X% of the Fund's portfolio in climate solutions (e.g. renewable infrastructure, green bonds, companies with >90% revenues from climate change activities) by 2030

Asset class level

- Review all of the Fund's existing mandates in the context of the net zero target
- In particular, review growth portfolio (equities) later this year to identify climate-focussed alternatives
- An engagement goal to ensure that assets accounting for X% of emissions in material sectors are net zero, aligned to net zero, or are the subject of appropriate engagement action (threshold to increase over time)

Targets to be refined and agreed

Next steps



Developing the Fund's climate ambitions

- Today:
 1. Agree climate metrics set out in this paper
 2. Expand climate metrics to include forward looking metrics
 3. Consider baseline carbon position
 4. Consider preferred net zero target date
- Looking ahead:
 1. Set initial targets (short, medium and long-term) consistent with target date
 2. Review Responsible Investment beliefs
 3. Develop framework to support climate ambitions

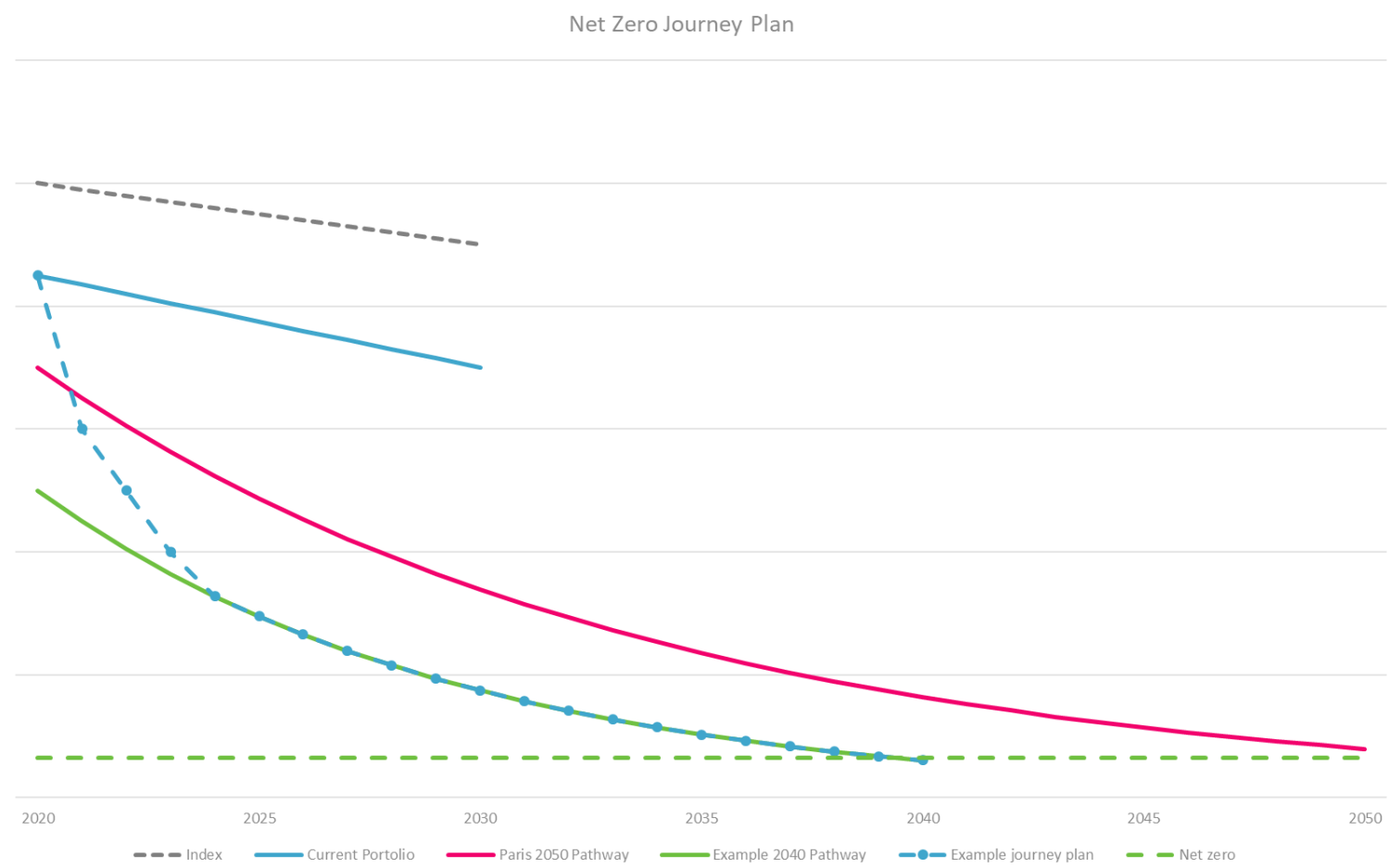
Framework will support decisions taken on capital allocation and focus areas for ongoing engagement

Appendix



Net zero journey plan – illustration only

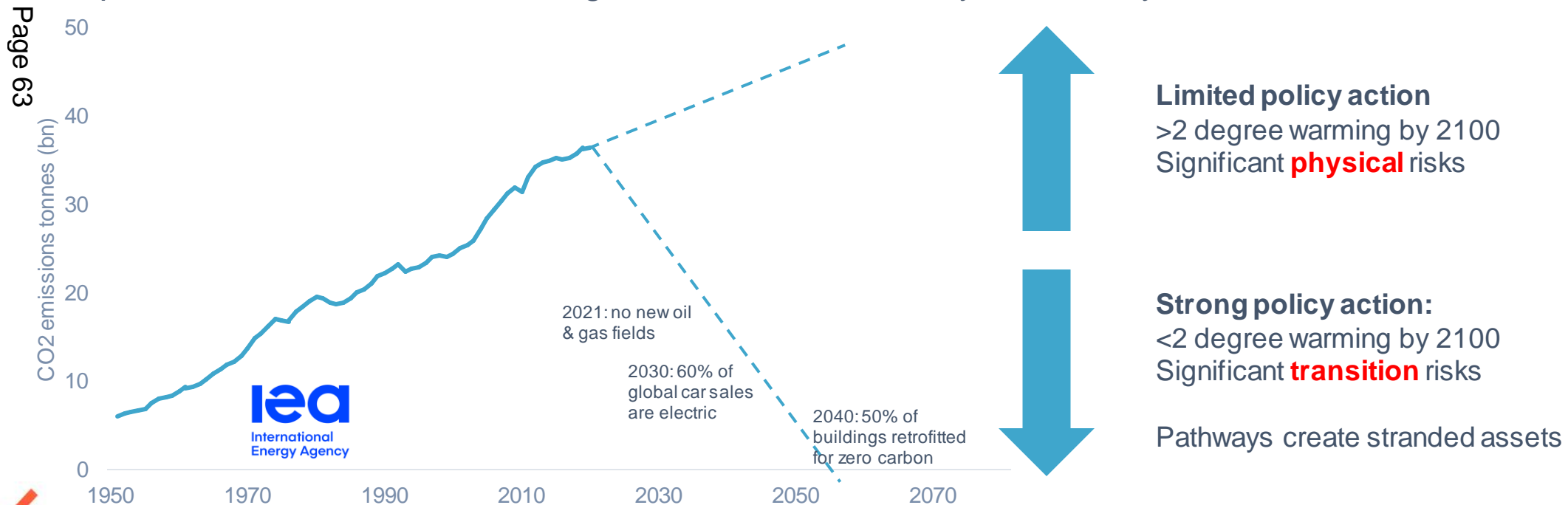
- The following graph sets out an illustrative journey plan for the Fund. The pink line shows the Paris pathway, targeting net zero by 2050 and the green dotted line illustrates the net zero target. For the Fund to achieve its net zero objective by 2040, it would need to reduce portfolio emissions (blue line) significantly over the next 10 years to align with the 2040 pathway (green line).





Net zero and the impact of policy

- “Net zero” means reaching a state of the world where there is a balance between the greenhouse gases human activity discharges into the atmosphere and the emissions that can be safely absorbed by natural processes or which are otherwise removed. Policy pathways towards net zero will determine the nature of the climate risks faced by asset owners.
- As shown in the chart below, carbon emissions have rapidly increased in the last 70 years and the change required to achieve net zero is huge, and is therefore likely to be a key driver of risk and return in future.



Source: Global Carbon Project, International Energy Agency

Key climate risks

Physical risks

- Direct effects from the climate itself.
- E.g. in short-term, damage to property and business disruption due to extreme weather events.
- E.g. in long-term, changing rainfall patterns affecting agricultural yield and local workforce availability.

Transition risks

- Risks associated with the transition to a low carbon economy.
- Could materially reduce value of, or income generated by, assets.
- e.g. “stranded assets” where a company/sector is unable to extract value from an asset due to restrictions on its activities leading to a collapse in its value.

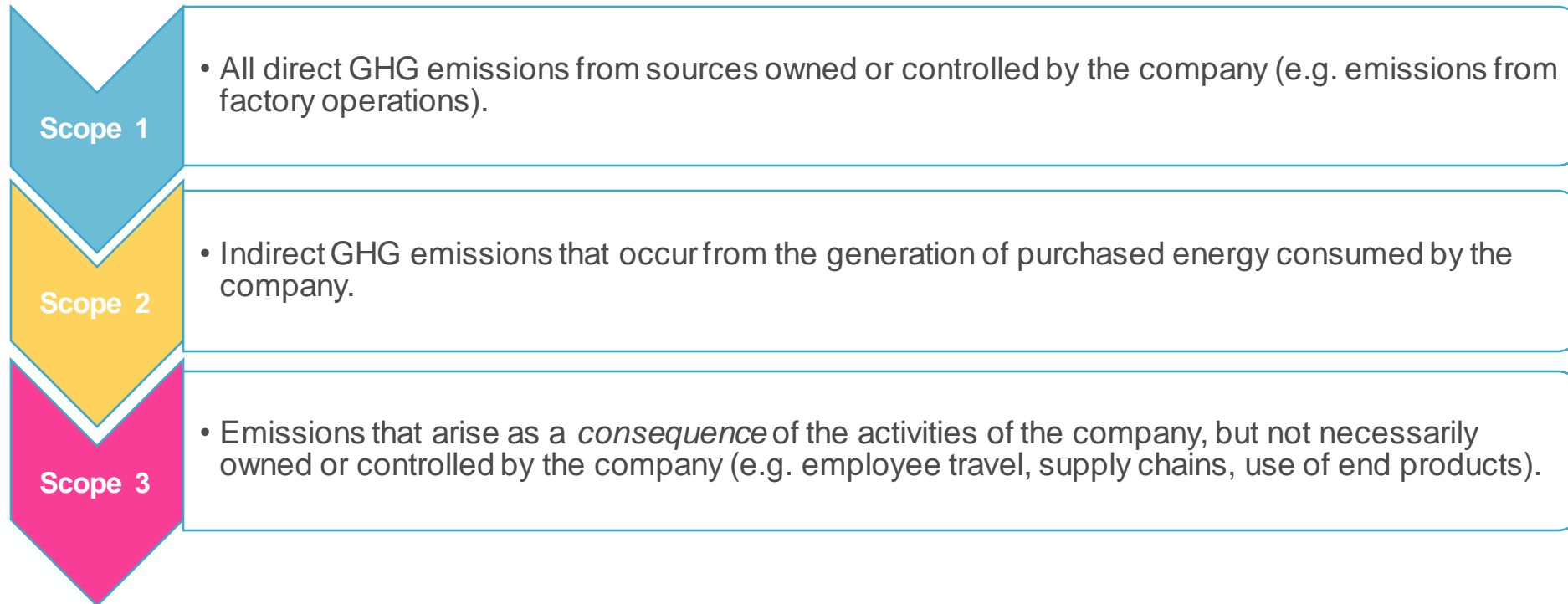
Liability risks

- Where third parties have suffered damage or losses and seek compensation.
- E.g. lawsuits filed against oil companies for historical failure to acknowledge climate risks to its business.

Climate change poses significant risks
and could have a material impact on the Fund's investments

What are Scope 1, 2 and 3 Emissions?

- When considering the emissions of a given company, greenhouse gas (GHG) emissions are categorised into 3 scopes:



- Scope 3 emissions are more difficult to measure: there is a risk of double-counting.

Sustainable Development Goals

- The Sustainable Development Goals are a collection of 17 interlinked global goals designed to “achieve a better and more sustainable future for all”. These were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.



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Thank you

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	Pensions Fund Sub-Committee 21 February 2022
	Report from the Director of Finance
Actuarial Assumptions	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	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:	Two <ul style="list-style-type: none"> • Actuarial valuation at 31 March 2022 - Advice on assumptions (Summary) • Actuarial valuation at 31 March 2022 - Advice on assumptions (Full Report – exempt from publication)
Background Papers:	<ul style="list-style-type: none"> ▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

- 1.1 This report provides an update on the 2022 valuation process, in particular on the key financial and demographic assumptions that drive the overall funding level and employer contribution rates.

2.0 Recommendation(s)

- 2.1 The committee is asked to note and agree the key assumptions for the forthcoming 2022 valuation as summarised in Appendix 1 and detailed in full in Appendix 2.

3.0 Detail

- 3.1 Every three years, a formal valuation of the whole Fund is carried out under Regulation 62 (1) of LGPS Regulations 2013 to assess and examine the ongoing financial position of the Fund. Its purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole, with a view to setting employer contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement (FSS).
- 3.2 It is best practice to review the actuarial assumptions at each funding valuation to make sure they're relevant to the financial, demographic and regulatory environment. The overall valuation outcome is sensitive to the financial and demographic assumptions made and therefore can impact the Fund's overall funding level.
- 3.3 The summary covers the key assumptions, which will be used in 2022 valuation:
- Discount rate;
 - Future investment returns;
 - CPI inflation;
 - Salary expectations;
 - Future improvement in longevity; and
 - Other demographic assumptions.
- 3.4 Further detail is provided in the full version of this report attached in restricted Appendix 2.

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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London Borough of Brent Pension Fund

Actuarial valuation at 31 March 2022

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Advice on assumptions



Douglas Green FFA



Peter MacRae FFA

24 January 2022

For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP is authorised and
regulated by the Financial Conduct Authority




Summary of recommendations

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Assumption	Recommended approach	Comments
Future investment return assumption	Based on Hymans Robertson ESS model updated to latest market calibration	Asset class real return expectations are generally similar or lower than in 2019
Discount rate	Can be increased from 1.6% to 1.8% above the risk-free rate while maintaining the same level of prudence	No significant change in environment to suggest an increase or decrease in prudence levels.
CPI inflation (benefit increases / CARE revaluation)	Based on Hymans Robertson ESS model	Inflation expectations are slightly higher (c.0.2-0.3% p.a.) than 2019 due to current economic outlook
Salary increases	0.3% above CPI inflation (same as at 2019)	No change compared to 2019 assumption.
Baseline longevity	Based on Club Vita analysis updated to reflect non-COVID related experience	Longevity assumptions are tailored to the Fund's experience and membership
Future improvements in longevity	Updated to CMI 2021 model with no weight on 2020/21 data, but increased long term improvement of 1.5% pa	Latest version of CMI model is best practice but avoid projections being affected by short-term COVID-19 experience
Demographic assumptions (excluding longevity)	Adopt Hymans proposed demographic assumptions	All demographic assumptions have been reviewed against LGPS wide experience with some adjustment to reflect Fund's own experience

This is an extract from the full set of assumptions advice included in the non-public meeting pack, which sets out all the background information, reliances, limitations and technical standards which apply.

	Pensions Fund Sub-Committee 21 st February 2022
	Report from the Director of Finance
Brent Pension Fund: Annual Report and Accounts 2020/21	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	1 – Brent Pension Fund Accounts 2020/21
Background Papers:	<ul style="list-style-type: none"> N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

- 1.1 This report presents the final version of the Pension Fund Annual Report for the year ended 31 March 2021, following the conclusion of the external audit.

2.0 Recommendation(s)

The Committee is recommended to note the Brent Pension Fund Annual report 2020/21.

3.0 Detail

- 3.1 Attached in Appendix 1 is the final version of the Pension Fund Annual Report for the year ended 31 March 2021.
- 3.2 The Pension Fund Annual report, which includes the annual accounts, was published by the Fund ahead of the statutory 1st December 2021 deadline.

- 3.3 Grant Thornton have given an unqualified opinion on the Pension Fund accounts and annual report. The Brent Pension Fund were the first local authority pension fund audited by Grant Thornton to have their annual report review completed.
- 3.4 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 and annual report commenced in July, and was completed by 30th November.
- 3.5 During 2020/21, the value of the Pension Fund's investments has increased to £1,032m (2019/20 £835m). This is due to the strong performance of global and emerging equities in particular as markets recovered from the pandemic.
- 3.6 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.
- 3.7 As in 2019/20, the Pension Fund is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits.
- 3.8 Pension Fund administration has seen significant improvements in recent years and the 2020/21 indicators shows a significantly lower number of outstanding cases at year end compared to 2019/20. Additionally, the Fund's conditional data score showed improvement through the year increasing from 68% to 82%. Administration expenses increased due to a higher annual contract fee from Local Pensions Partnership Administration and bespoke data cleanse projects commissioned by the Fund.
- 3.9 The Pension Fund annual report also incorporates the Pensions Administration Strategy, Funding Strategy Statement and Communications Policy Statement which have been approved by the Committee at previous meetings.

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

Annual Report and Accounts 2020/21

Pensions Regulator Scheme Number: 10272080

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1. Chairman's Foreword

It is my pleasure to present the Annual Report and Accounts of the Brent Pension Fund for 2020/21.

The Fund has 6,385 contributors, 6,860 pensioners and 8,188 deferred pensioners.

The scheme is administered locally and is a valuable part of the pay and reward package for employees working in Brent Council or working for other employers in the Borough participating in the scheme.

During 2020/21, the value of the Pension Fund's investments has increased to £1,032m (2019/20 £835m). This is due to the strong performance of global and emerging equities in particular as markets recovered from the pandemic.

Total contributions received from employers and employees was £61m for the year, an increase from the previous year. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £42m, a decrease on the previous year's £48m. As in 2019/20, the Pension Fund is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

The Brent Pension Fund is revalued every three years by an independent actuary. The Pension Fund had its most recent Triennial Review in 2019. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. It was agreed in this valuation that the employer contribution rate would remain stable at 35% for the next 3 years. This is consistent with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date. This Triennial Valuation revealed that the Fund's assets, at 31 March 2019, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This is a significant increase on the 55% funding level as at the March 2016 valuation.

In conclusion, I would like to extend my thanks and appreciation to all members of the Pension Fund Sub-Committee and officers for their continued input to the strong governance and management arrangements of the Fund.

Cllr Shafique Choudhary
Chairman, Brent Pension Fund Sub-Committee

2. Management and Financial Performance

a. Scheme management and advisors

Administering Authority:	Brent Council Civic Centre Engineers Way Wembley Middlesex HA9 0FJ
Brent Pension Fund Officers:	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Saagar Raithatha, Finance Analyst Kastur Varsani, Assistant Accountant
Legal Advisers:	In-house
Custodian:	Northern Trust
Actuary:	Hymans Robertson LLP
Financial Adviser:	Hymans Robertson LLP
Fund Managers:	Legal & General Capital Dynamics London CIV LCIV – Baillie Gifford LCIV – CQS LCIV – JP Morgan LCIV – Stepstone LCIV –Ruffer Aviva Alinda Blackrock
Banker:	NatWest
Auditor:	Grant Thornton
Performance Measurement:	Northern Trust
AVC Providers:	Prudential Clerical Medical Equitable Life (legacy only)

The Local Government Pension Scheme

The Government Pension Scheme (LGPS) is a statutory pension scheme.

This means that it is very secure as its benefits are defined and set out in law.

Under regulation 34 of The Local Government Pension Scheme (Administration) Regulations 2008 No.239, all LGPS funds are required to publish an Annual Report.

This document is the Annual Report and Accounts of the Brent Pension Fund for 2020/21

The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK, with 6.2 million members.
- It is a nationwide pension scheme for people working in local government or for other types of employer participating in the scheme.
- The LGPS is administered locally by 90 regional pension funds – one of which is the Brent Pension Fund.
- It is a funded scheme, which means that Fund income and assets are invested to meet future pension fund commitments.
- Benefits are defined and related to members' salaries, so they are not dependant on investment performance. Ultimately the local authority and local taxpayers are the final guarantors.
- The scheme is regulated by Parliament.

Governance

Governance Statement

The Brent Pension Fund publishes a Governance Statement each year. The latest version of this document is at page 28.

The Governance Statement reflects the Fund's commitment to transparency and engagement with employers and scheme members.

We monitor, review and consult where appropriate to ensure that our governance arrangements continue to be effective and relevant.

Administering Authority

Brent Council is the Administering Authority of the Brent Pension Fund and administers the LGPS on behalf of its participating employers.

- Brent Council has delegated its pensions functions to the Pension Fund Sub-Committee
- Brent Council has delegated responsibility for the administration and financial accounting of the Fund to the Director of Finance
- This report supports Brent Council's Annual Governance Statement, which is published at page 28.

Governance Compliance

The Brent Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) Regulation 31.

The full compliance statement is at page 28.

Pension Fund Sub-Committee

The Pension Fund Sub-Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pension Fund Sub-Committee meets quarterly to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisers
- Ensure that arrangements are in place for consultation with stakeholders as necessary.

Pension Fund Sub-Committee Membership as at 31 March 2021

Chair: Cllr S Choudhary

Other Members: Cllr A Aden
Cllr M Daly
Cllr F Donnelly-Jackson (appointed 29 September 2020)
Cllr Maurice
Cllr W M Murray (appointed 29 September 2020)
Cllr K Perrin
Cllr T Stephens (resigned 29 September 2020)

Employee representatives: Elizabeth Bankhole (UNISON)

Other attendees: Minesh Patel, Director of Finance
Ravinder Jassar, Deputy Director of Finance
Hymans Robertson LLP, Financial Adviser

Pension Fund Sub-Committee Training

Training is business driven, therefore the programme is flexible. This allows us to effectively align training with operational needs and current agenda items, helping to support Member decision making.

Member training is supplemented by attendance at investment conferences and other associated events.

Conflict of Interests

There is a standing agenda item at each Pension Fund Sub-Committee meeting for Members to declare any personal or prejudicial interests.

Accountability and Transparency

Pension Fund Sub-Committee agendas, reports and minutes are published on the Brent Council website at www.brent.gov.uk.

b. 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 looks to achieve 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.

The Brent Pension Fund maintains a Risk Register which is reviewed and reported to every Pension Board meeting. Risks are rated on a "traffic light system" and are monitored on a regular basis for review. Controls are documented and further actions identified where necessary. The Brent Pension Fund Risk Register can be found on the Brent Pensions Board website.

This Risk Management Programme in place ensures that key risks are identified and that mitigating actions are taken to control these Risks. Appendix C as part of the Funding Strategy Statement notes each Objective Area in which these Risks are summarized and the mitigating actions being taken to control them.

Third Party Risks

Third party risks such as payments of contributions are robustly monitored, as laid out in the Pensions Administration Strategy. The receipt and calculation of employer pension contributions is monitored monthly. Employers are required to complete a return, which reconciles to the pension payment and verifies the calculation of both employee and employer contributions.

The Council has also outsourced the following functions of the Fund:

- Custodianship of assets.
- Pensions administration in coordination with the Brent pensions administration team who monitors and manages the Fund's contractor for pension administration services, Local Pensions Partnership Administration (LPPA).

As these functions are outsourced, the Council is exposed to Third Party Risk. A range of investment managers are used to diversify risk. To mitigate the risks regarding custodianship of assets, assurance over third party operations is sought by requesting relevant documentation, such as AAF 01/06 and ISAE3402 assurance reports on the internal controls of these service organisations. Any weaknesses in controls are reviewed and reported as necessary to the Pension Fund Sub-Committee.

Fund Manager	Type of Assurance	Control Framework	Compliance with Control	Reporting Accountant
Alinda	ISAE4302	Reasonable assurance	Reasonable assurance	Deloitte LLP
Aviva	ISAE4302	Reasonable assurance	Reasonable assurance	PwC LLP
BlackRock	ISAE4302	Reasonable assurance	Reasonable assurance	Deloitte LLP
Capital Dynamics	ISAE4302	Reasonable assurance	Reasonable assurance	PwC LLP
London CIV	ISAE4302	Reasonable assurance	Reasonable assurance	PwC LLP
LGIM	ISAE4302	Reasonable assurance	Reasonable assurance	KPMG LLP

An on-going framework of inspection and review by the Fund's internal auditors and external auditors (Grant Thornton) supports and assists with the management of risks.

During 2020/21, no internal audits were carried out for the Pension Fund. In 2019/20, internal audit undertook a review of the Council's arrangements in regards to current investments, strategic asset allocation and compliance with MHCLG regulations. This review aimed to provide assurance over the following sub-processes and control objectives. The audit focused on key controls in place in relation to the sub-processes listed below, to mitigate the potential risks:

- Governance;
- Governance compliance statement;
- Risk management;
- Investments;
- Monitoring;
- Environmental, social and governance factors;
- Independent Advisor, and
- Pension Fund
- Policies.

All the scope areas were examined during the audit and no high level risk areas were reported. In addition, internal audit has identified a number of examples of good practice. 2 medium risk and 2 low risk recommendations were reported. Any risks identified were agreed between internal audit and management and actions are being undertaken to ensure that the recommendations are implemented and are operating effectively.

Other Investment Risk

Brent Pension Fund constantly monitors risk at all levels. In investment, risk is defined as the permanent loss of capital. Risks are assessed at market level, and also at the fund manager level. Fund managers may employ a range of measures to mitigate risk, wherever possible. This may range from a process which avoids overpaying for an asset, or fund manager's risk committees and investment committees, which meet regularly to review and challenge the fund manager's approach and assumptions. Fund managers must contend with the potential mispricing of risk, caused by the hunger for yield.

The Pension Fund employs an Investment Advisor, Hymans Robertson to assist and advise the Pensions Sub Committee. Investment performance is reviewed by the committee every quarter.

Brent Pension Fund monitors the fund managers at least every quarter, when they report their performance. At this stage, it is not just the net returns which are studied, but also the attribution, i.e. the way in which the returns were achieved. The returns should be measured against the expected returns given prevailing market conditions and the investment process, in order to ensure that the fund manager is not tending towards “investment drift” or “style drift”. Particular attention is paid to the actions taken by funds when market conditions change.

Pension Fund Officers ensure that all tasks carried out are compliant with best practise as detailed in the Statement of Investment Principles. This is in order to mitigate any governance risk (such as acting *ultra vires*).

Pension Fund Officers document meetings with fund managers, and report back to the Pension Fund Sub-Committee on a quarterly basis.

The key risks and controls in place to mitigate investment risks are included in the Funding Strategy Statement.

c. Financial performance

Financial Summary

Income and expenditure of the fund over the past five years is shown below. This shows that a net increase in the Fund's market value of £142m over the period. This is mostly attributable to the change on market value of £176m over the period. During 2020/21, the Fund value increased by £197m. This is primarily due to strong performance from the Fund's investment managers. A detailed analysis of the Fund's financial performance, including the movement in non-investment assets and liabilities, can be found in the statement of accounts at page 33 of this report.

Financial Summary	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Contributions receivable	(51.0)	(53.5)	(54.9)	(65.2)	(66.8)
Benefits payable	44.7	75.0	47.7	54.2	47.6
Net (additions)/withdrawals from dealings with members	(6.3)	21.5	(7.2)	(11.1)	(19.2)
Management expenses	3.9	4.3	6.8	3.8	4.2
Net of investment income and taxes on income	(4.1)	(0.9)	(1.4)	(1.2)	(0.7)
Change in market value	(121.2)	(22.4)	(61.7)	34.1	(176.1)
Net (increase)/decrease in Fund Value	(127.7)	2.5	(63.5)	25.6	(191.8)

Analysis of Dealings with Scheme Members

As shown in the table below, net contributions from members has been mainly positive over the past five years. The large outflow in 2017/18 related to the transfer out of the College of North West London from the Fund. Employer contributions have stayed broadly similar to previous financial year, this is due to no change in the main employer contribution rate. Transfers in have slightly increased due to more new members choosing to transfer in benefits. Transfers out have slightly decreased reflecting more members electing to remain their benefits in the scheme.

Analysis of Dealings with Scheme Members	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Contributions receivable					
Members	(8.3)	(8.1)	(9.2)	(8.5)	(9.5)
Employers	(40.3)	(41.8)	(42.9)	(51.5)	(51.4)
Transfers In	(2.4)	(3.6)	(2.8)	(5.2)	(5.9)
Total	(51.0)	(53.5)	(54.9)	(65.2)	(66.8)
Benefits payable					
Pensions	33.0	34.4	37.7	38.6	37.5
Lump sum retirement and death benefits	7.2	4.5	8.2	9.3	4.8
Transfers Out	4.2	35.9	1.7	6.2	5.3

Refunds to members leaving service	0.3	0.2	0.1	0.0	0.0
Total	44.7	75.0	47.7	54.1	47.6
Net Dealings with Members	(6.3)	21.5	(7.2)	(11.1)	(19.2)

Analysis of Management Expenses

The costs of managing the Pension Fund are split into three areas: Administration expenses, Oversight and Governance costs and Investment management expenses. Administration costs increased in 2020/21 due to the new pension's administration contract and an increased level of data cleanse activity.

Analysis of Management Expenses	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Administration costs	0.7	0.7	1.2	1.1	1.8
Oversight and Governance costs	0.1	0.1	0.2	0.3	0.2
Other expenses	0.0	0.0	2.2	0.0	0.0
Investment management expenses					
Management fees	2.8	3.4	2.7	2.4	2.2
Custody fees	0.1	0.1	0.1	0.0	0.0
One-off transaction costs	0.1	0.0	0.4	0.0	0.0
Total	3.8	4.3	6.8	3.8	4.2

Contributions

Members of the LGPS pay a contribution rate dependant on the salary band they fall in to. The contribution rate employees pay depends on their salary. The bands and contribution rates for 2020/21 are set out in the table below.

Annual Pensionable Pay	Rate
Up to £14,600	5.5%
£14,601 to £22,800	5.8%
£22,801 to £37,100	6.5%
£37,101 to £46,900	6.8%
£46,901 to £65,600	8.5%
£65,601 to £93,000	9.9%
£93,001 to £109,500	10.5%
£109,501 to £164,200	11.4%
£164,201 or more	12.5%

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. The most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% in 2020/21.

Regulations state that contributions must be paid to the Fund by the 22nd day of the month following deduction. The Fund reserves the right to levy interest on an employer for the late payment of contributions. In 2020/21, this power was not exercised.

3. Investment Policy and Performance

Introduction

The Administering Authority invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force on the 1st November 2016.

During 2020/21, the following external investment managers managed the Fund's assets:

- Legal & General (UK and overseas equities)
- Capital Dynamics (private equity and infrastructure)
- London CIV
- LCIV Baillie Gifford (diversified growth fund)
- LCIV Ruffer (diversified growth fund)
- LCIV CQS (Multi Asset Credit)
- LCIV JP Morgan (Emerging Markets)
- LCIV Stepstone (infrastructure)
- Aviva (property)
- Alinda (infrastructure)
- Blackrock (UK Gilts)

The cash balance is deposited with money market funds.

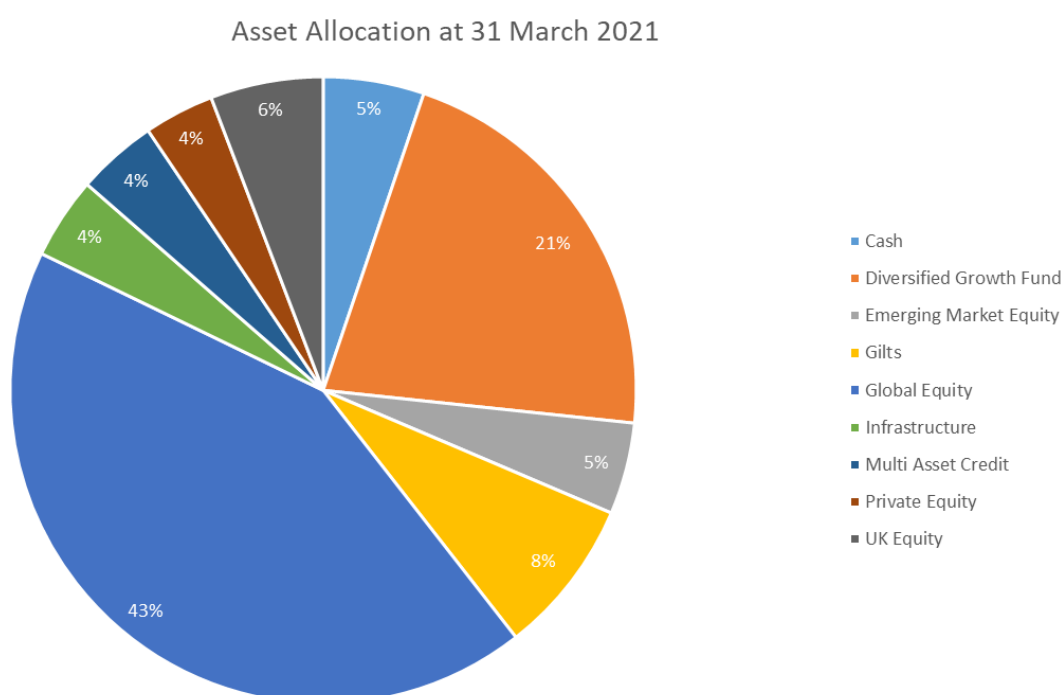
2020/21 Investment Results

Asset Allocation and Fund Performance

The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2021 is shown below:

	Total Fund Return %	Fund Benchmark Return %
1 year	21.8	17.8
3 years	7.8	6.8
5 years	8.3	8.4

The current asset allocation includes allocations to passive UK and global equities, emerging market equities, diversified growth funds, infrastructure, longer dated gilts and multi-asset credit. The allocation to private equity is currently being wound down. A further allocation to infrastructure was agreed in 2018/19 and investment in this mandate is being built up. An allocation to Private Debt was agreed in 2020/21. It will be some time before funds are fully invested. The asset allocation as at 31 March 2021 is illustrated by the below chart.



Overall the fund delivered a positive return of 21.8% for the year. Positive returns were achieved in all 4 quarters. Returns in quarters 1 and 2 were mainly attributable to the increase in the value of Global and Emerging Market Equities whilst in quarter 3 UK and Emerging Market Equities performed strongly relative to Global Equities. Fund performance in quarter 4 was primarily attributable to the positive returns achieved by the Ruffer Multi Asset Fund.

The Fund's holdings by fund manager showing target asset allocation and performance over one, three and five year periods are shown below.

Investment	Asset Class	Planned Asset Allocation (%)	Market value 31 March 2021 (£m)	Allocation at 31 March 2021 (%)	Last Year (%)		Last 3 Years (%)		Last 5 Years (%)	
					Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Equities - L&G	UK Equity	48	59.9	6	26.7	26.7	3.2	3.2	6.4	6.3
Global Equities - L&G	Global Equity		441.1	43	40.3	40.4	14.5	14.5	15.5	15.5
UK Equities - London CIV	UK Equity		0.2	0	n/a	n/a	n/a	n/a	n/a	n/a
LCIV JP Morgan EM	Emerging Market Equity	5	48.8	5	53.4	42.3	-	-	-	-
DGF LCIV Baillie Gifford	Diversified Growth Fund	20	130.7	13	18.0	2.1	4.4	3.2	4.5	3.5
DGF LCIV Ruffer	Diversified Growth Fund		90.8	9	20.7	2.1	7.4	3.2	-	-
LCIV Multi Asset Credit	Multi Asset Credit	15	42.8	4	25.3	2.4	-	-	-	-
Blackrock - Over 15 year GILTS	Gilts		83.0	8	-10.3	-10.4	-	-	-	-
Private Equity - Capital Dynamics	Private Equity	5	37.4	4	-3.4	40.2	8.1	10.7	10.5	9.6
Infrastructure - Capital Dynamics	Infrastructure	5	8.8	1	-10.6	2.7	2.7	5.1	-0.8	6.3
Infrastructure - ALINDA	Infrastructure		23.0	2	-8.7	2.7	-0.2	5.1	-2.8	6.3
Infrastructure - LCIV Stepstone	Infrastructure		11.8	1	-6.9	2.7	-	-	-	-
Cash	Cash	2	53.8	5	-	-	-	-	-	-
TOTAL		100.0	1032.1	100	21.8	17.8	7.8	6.9	8.3	8.4

Further analysis and commentary on the investment performance of individual mandates can be found within the Fund's performance monitoring reports that are presented to the Pensions Sub-committee.

It is important to consider the risk framework in which the investment results are achieved. If the Fund takes more risk in its asset allocation decisions, it offers the potential for higher returns but it also increases the uncertainty of the outcome, potentially increasing the chances of a negative downside. The Fund is committed to on-going review of its asset allocation and achieving an appropriate balance between risk and reward. Further information can be found in the Investment Strategy Statement.

Comparison of investment performance with other LGPS Funds

The Fund's investment performance in comparison to the PIRC Local Authority percentile average for all Local Government Pension Schemes (LGPS) funds nationally is shown below (the PIRC universe consists of 64 LGPS funds):

	Rank	Period ended 31 Mar 21	PIRC Local authority Average
1 year	72	21.8	22.8
3 years	53	7.8	7.6
5 years	89	8.3	9.5
10 years	85	7.4	8.3

It is important to note that, as a long term investor, investment returns over a longer period of time should be considered. The table below shows the rolling three year performance of the Fund compared to other LGPS funds:

	Rank	Rolling 3 year return
2020/21	72	7.6
2019/20	42	1.5
2018/19	26	8.5
2017/18	80	6.8
2016/17	75	9.9
2015/16	49	6.5
2014/15	80	10.1

Funding Strategy Statement (FSS)

In accordance with the Local Government Pension Regulations, Brent Pension Fund has a Funding Strategy Statement in place which can be found at page 100.

Investment Strategy Statement (ISS)

The Investment Strategy Statement sets out the policy which determines how the Fund invests its assets. This can be found on page 144 of this document. The Scheme rules require that we publish the ISS that covers our policy on:

- The types of investment to be held
- The balance between different types of investments
- Attitude to risk and approach to its management
- the expected return on investments
- The extent to which social, environmental or ethical considerations are taken into account.

4. Asset Pools

In 2015 the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- benefits of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

The Brent Pension Fund joined other London local authorities in creating the London Collective Investment Vehicle (LCIV), the regional pool operator for the capital. The London CIV is now established and has £11.2bn of LGPS assets under management as at 31 March 2021. Additionally, the value of passive assets was £12.6bn with £12.5bn invested with LGIM and Blackrock.

London CIV's annual review for the year ended 31st March 2021 can be found at: <https://londonciv.org.uk/reports-and-regulatory-information>

Pooled assets

Overall, the Fund continued to increase the investments it has made through the London CIV. During 2020/21, the Fund made a £50m allocation to the LCIV Private Debt Fund and investment in the London CIV infrastructure fund began to be built up. In line with standard industry practice for infrastructure and private debt investments, it will be some time before funds are fully invested.

As at 31/03/2021, the Fund had 5 investments with the London CIV: Emerging Market equities (through JP Morgan), Diversified Growth Funds (Baillie Gifford/Ruffer), Multi Asset Credit (CQS) and Infrastructure (Stepstone). Additionally, the Fund's passive equity investments through Legal and General and Gilts through Blackrock are arranged through the London CIV's negotiated mandate where the Fund benefits from lower negotiated fees.

All asset classes except Property, Private Equity, Infrastructure and Cash are managed by the London CIV asset pool. Therefore, the Fund has approximately 88% of its investments held with the regional pool or under the pool's oversight.

The table below shows the pooling status of the Fund's investments grouped by asset class:

	Pooled £m	Non- pooled £m	Total
Asset Class			
Global Equities	489.9		489.9
UK Equities	60.1		60.1
Diversified Growth Fund	221.5		221.5
Fixed Income	125.8		125.8
Private Equity		37.4	37.4
Infrastructure	11.8	31.8	43.6
Cash		53.8	53.8
Total	909.1	123.0	1,032.1
Investment Management Costs	1.4	0.9	2.2

Investment management costs totalled £2.2m in 2020/21 as disclosed in the Pension Fund Accounts. A breakdown of pooled and non-pooled investment management costs for the year is provided in the table above.

Pool set-up and ongoing costs

The table below shows pool setup and on-going costs paid to London CIV during 2020/21 and since inception:

	2020/21 £'000	Cumulative £'000
Set up costs		
Shareholding at cost	0	150
Development Funding Charge	85	290
Annual Service Charge	25	150
Ongoing investment management costs		
Investment management costs*	28	94
Total	138	684

*Only includes management fees for passive investments arranged through London CIV.

Contact Details

The London CIV can be contacted as follows:

Post: London CIV, Fourth Floor, 22 Lavington Street, London, SE1 0NZ

Telephone: 0208 036 9000

Website: londonciv.org.uk

Email: info@londonciv.org.uk

5. Scheme Administration

The Brent Pensions Team

The Brent Pensions Team monitors and manages the Fund's contractor for pension administration services, Local Pensions Partnership (LPP). The team is a contact point for employees who wish to join the scheme, for advice on procedures and for queries and complaints.

The Pensions Team is accountable to the Pension Fund Sub-Committee, participating employers and scheme members. The team are fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to delivering excellent customer care.

The team's responsibilities include the following:

- Ensuring the accuracy of pensions records, including the preparation and distribution of the Annual Benefit Statements to all scheme members
- The timely collection of contributions
- Advice and guidance to scheme members
- Advice and guidance to employers
- Early retirement schemes for Fund employers.

Operational costs

The Fund's operational costs are monitored throughout the year by the Fund's management team and reported in the Pension Fund Annual Accounts.

To enable assurances to be obtained as to the effective and efficient operation of the Fund's investments, performance is benchmarked on an annual basis against other local authority pension funds subscribing to the PIRC Local Authority Pension Performance Analytics' Universe of local authority pension funds. Internal controls are also in place to support the reliability and integrity of financial information and the Fund is subject to internal and external audit.

Value for Money Statement

The Brent Pension Fund aims to deliver value for money services to all members and employers within the Fund. In order to demonstrate the efficiency and effectiveness of these services provided, officers in the Brent Pensions Team in coordination with the Fund's Pensions Administration provider, collect data on key service related performance indicators and cost data which is used for comparisons over time and comparisons with other Funds where possible. Alongside performance discussions, regular monthly performance meetings are also held with LPP to discuss key projects taking place throughout the year and updates such as end of year queries, resourcing, reporting and other administration services.

The key data to confirm value for money is set out on the following pages. In summary this data confirms that the Brent Pension Fund continues to deliver a good quality service which

meets the expectations of members of the fund. Overall performance over the last 12 months was 99.23%.

Summary of Activity

Performance Indicators

The LPP Pensions Administration Service is measured against key performance indicators that measure compliance, efficiency, and effectiveness of the service.

Workflow summary

The table below shows a summary of the total cases received and completed by category for the year 1 April 2019 to 31 March 2020.

Staffing

LPP currently has 3.5 FTE working on Brent administration with a ratio of 1 member of staff to 6,491 fund members. The team completed a total of 9,708 cases including other contractual cases outside of the top 13 for the period 1st April 2020 to 31st March 2021 which is an average of 2,774 cases per staff member.

Description – Top 13 Cases	Brought Forward	Completed	Received	Outstanding (as at 31/03/21)	% Performance against SLA
New Starters	9	1,080	1,100	29	100%
Transfer In	196	387	336	145	100%
Transfer Out	90	393	382	79	100%
Estimates - Individual	31	411	398	18	99.5%
Deferred Benefits	325	1,663	1,459	121	100%
Deaths	358	792	802	368	99.6%
Retirements (Immediate)	33	139	197	91	97.8%
Retirements (Deferred)	333	637	448	144	98.4%
Refunds	109	623	556	42	99.8%
Estimates - Employer	13	463	459	9	99.6%
Correspondence	109	1,528	1,450	31	97.1%
Aggregation	103	308	251	46	99.7%
Other	349	1,284	1,071	136	99.3%
Totals	2,058	9,708	8,909	1,259	

Complaints

LPP now have a dedicated complaints team who deal with all complaints. This allows the complaint to be dealt with independently of the administration team and gives consistency when responding to complaints. There was a total of 34 complaints received during the year, broken down by quarter below.

Quarter	Number of complaints
Q1	4
Q2	8
Q3	10
Q4	12
Totals	34

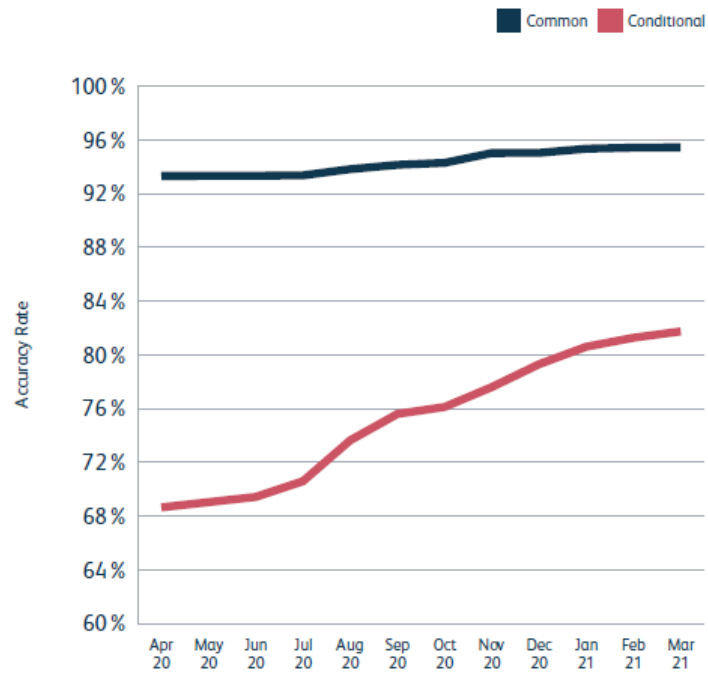
Dispute resolution procedure

There were 2 Dispute resolutions received during the period 1st April 2020 to 31st March 2021.

Where a member is unsure of their benefit entitlement or has problems with their benefits, the Local Pensions Partnership (LPP) should be contacted. If a member is not satisfied with any decision they have a right to ask for it to be re-examined under the formal complaints procedure, which is officially called 'internal dispute resolution procedure'. The formal complaints procedure has 2 stages and full details can be obtained from the LPP by either phone on 0300 323 0260 or by writing to Local Pensions Partnership, PO Box 1383, Preston, PR2 0WR.

Accuracy of data

Each year, following year-end processing, LPP raise queries with Brent employers such as missing joiners, leavers, change of hours and pay queries. In most instances the queries are reducing year on year, however LPP continue to identify any errors and work with employers prior to the queries being created. To this end, feedback has been received from employers and subsequently, LPP have improved templates and literature to ensure the data supplied by Brent employers is accurate and continues to improve the overall data quality position. Additionally, data quality is reviewed by the Pension Board on a regular basis. The annual common and conditional data accuracy rate for the year is shown in the chart below.



Financial Indicators

Unit Costs per Member

	2019/20	2020/21
Investment Management Expenses		
Total Costs £'000s	2,449	2,234
Total Membership Numbers	23,138	22,718
Cost per member £	105.84	98.34
Administration Expenses		
Total Costs £'000s	1,147	1,761
Total Membership Numbers	23,138	22,718
Cost per member £	49.57	77.52
Oversight and Governance Costs		
Total Costs £'000s	287	223
Total Membership Numbers	23,138	22,718
Cost per member £	12.40	9.82
Total cost per member £	167.82	185.67

The management fees disclosed above include investment management fees directly incurred by the Fund i.e. including those charged on pooled fund investments which tend to be deducted from the market value of the investments rather than invoiced to the Fund. In addition to these costs, indirect costs are incurred through the bid offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

Staffing Indicators

The table below shows the number of staff over the last two years in the Pensions Administration Team working exclusively on Local Government pension benefits.

	2019/20	2020/21
Number of full time equivalent staff	6.3	6.3
Total fund membership	23,138	22,718
Number of fund members to one	3,673	3,606

Other Information

Further information regarding analysis of the Brent Pension Fund's membership data and list of contributing employers to the Fund can be found under the Brent Pension Fund Annual Accounts for 2020-21.

A summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) has been provided in the appendix to this report.

For information about the Scheme generally, please see the following contact details:

pensions@brent.gov.uk	For non teachers pension enquiries
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tpensions@brent.gov.uk	For teachers pensions enquiries
Returns@brent.gov.uk">Pension>Returns@brent.gov.uk	For all monthly contribution schedules only
askpensions@localpensionspartnership.org.uk	To communicate directly with the LPP

6. Actuarial Information

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary. The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2021.

The purpose of this is to establish that the Brent Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of accrued liabilities.

In summary, the key funding principles are as follows:

- ensure that sufficient resources are available to meet all benefits as they fall due for payment;
- recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- enable employer contributions to be kept as stable as possible and at reasonable cost; and
- maximise the returns from investments within reasonable risk parameters.

The most recent valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £856m, were sufficient to meet 78% of the £1,104m liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £248m.

During 2020/21, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% of pensionable pay. Other employers have different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

A summary of the last triennial valuation report and details of the full version of the actuarial report can be obtained below.

<https://www.brent.gov.uk/your-council/transparency-in-brent/performance-and-spending/budgets-and-finance/pensions/>

London Borough of Brent Pension Fund (“the Fund”)

Actuarial Statement for 2020/21

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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 FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 19 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 19 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £856 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £248 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.4%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.0 years	25.5 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be broadly similar to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Peter MacRae FFA

13 May 2021

For and on behalf of Hymans Robertson LLP

7. Governance

Annual Governance Statement

The Local Government Pension Scheme (Amendment) (No 3) Regulations 2007 require the Fund to maintain a Governance Policy Statement.

The Council, as Administering Authority for the Brent Pension Fund, has delegated responsibility for managing the Fund's investments to its Pension Fund Sub-Committee.

The Pension Fund Sub-Committee oversees the proper administration and management of the Pension Fund. It is responsible for:

- undertaking statutory functions on behalf of the Local Government Pension Scheme and ensuring compliance with legislation and best practice
- determining policy for the investment, funding and administration of the Pension Fund
- considering issues arising and making decisions to secure efficient and effective performance and service delivery
- appointing and monitoring all relevant external service providers:
 - fund managers
 - advisers
 - custodian
 - actuary
 - all other professional services associated with the structure and functions of the Pension Fund
- monitoring performance across all aspects of the service
- ensuring that arrangements are in place for consultation with stakeholders as necessary
- considering the annual statement of Pension Fund accounts
- considering and approving the Pension Fund actuarial valuation.

The Pension Fund Sub-Committee normally meets four times each year. These meetings are used mainly for discussions about the Fund's investment management activities, using reports on strategies and performance prepared by the Director of Finance and considering any views of the investment advisers. The Pension Fund Sub-Committee will also consider reports from the Director of Finance, the investment advisers and other consultants as necessary on a range of issues, for example reviews of the Statement of Investment Principles, training, and proposals for scheme change.

Training

Members of the Pension Fund Sub-Committee and Brent officers have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate. The cost of attending is charged to the Pension Fund.

Training is delivered in advance of all committee meetings and to ensure that the sessions are effective, topics are usually arranged in line with agenda items.

Training provided in 2020/21 included:

- Responsible Investment (RI) and ESG
- Low Carbon Equities
- Covid-19 Funding Impact
- Exit Pay reforms, McCloud and Goodwin cases
- Multi Asset Funds
- Equity Investing
- Private Debt and Infrastructure asset classes

Use of advisers

The Director of Finance, Deputy Director of Finance and Head of Finance advise the Pension Fund Sub-Committee on all Pension Fund investment and administrative matters.

The Fund's Investment advisor advises the Pension Fund Sub-Committee on investment matters.

The Pension Fund Sub-Committee uses the Fund's actuary, Hymans Robertson, and other consultants as necessary, for advice on matters when in-house expertise is not available. The Pension Fund Sub-Committee takes advice from the actuary, the fund managers or specialist consultants or advisers as required on asset allocation, selecting managers, and investment performance targets.

Communications with Fund employers and members

Each financial year, an annual report on the Fund is prepared for the Fund's employers. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.

Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

Governance Compliance Statement

This statement shows how Brent Council as the Administering Authority of the Brent Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

Ref.	Principles	Compliance and comments
A	Structure	
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance. Brent Council's constitution sets out the terms of reference for the Pension Fund Sub-Committee.
b.	That representatives of participating LGPS employers, admission bodies and scheme members (including pensioner and deferred	Full compliance.

Ref.	Principles	Compliance and comments
	members) are members of either the main or secondary committee established to underpin the work of the main committee.	
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No formal secondary committees or panels have been established.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No formal secondary committees or panels have been established.
B	Representation	
a.	<p>That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g. admission bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers, and iv) expert advisers (ad-hoc basis only). 	<p>Full compliance. The Pension Fund Sub-Committee includes a representative of the other employers in the Fund and contributor members.</p> <p>The Fund's investment adviser attends Pension Fund Sub-Committee meetings. Independent professional observers are not regarded as appropriate.</p>
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
C	Selection and role of lay members	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance.
D	Voting	
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance. All representatives on the Pension Fund Sub-Committee have full voting rights, but the Sub-Committee works by consensus without votes being required.
E	Training/facility time/expenses	

Ref.	Principles	Compliance and comments
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance. Full training and facilities are made available to all members of the Pension Fund Sub-Committee.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance.
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance. A training plan has been prepared for the Pension Fund Sub-Committee and training logs are maintained for all such training undertaken.
F	Meetings (frequency/quorum)	
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance. The Pension Fund Sub-Committee meets regularly throughout the year. Additional meetings can be arranged to fit its business needs.
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	No formal secondary committees or panels have been established.
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance. The Pension Fund Sub-Committee includes lay members. Employers forums are arranged for employers.
G	Access	
a.	That, subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
H	Scope	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance. The Pension Fund Sub-Committee deals with fund administration issues as well as fund investment.
I	Publicity	
a.	That administering authorities have published details of their governance	Full compliance. The Council's Governance Policy Statement is

Ref.	Principles	Compliance and comments
	arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	published in the Pension Fund's Annual Report and on its website.

8. Brent Pension Fund Accounts

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		0.0
	(Profits) and losses on disposal of investments and		
34.1	changes in the market value of investments	13	(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	13	1,032.3
835.3			1,032.3
4.0	Current assets	19	1.5
0.0	Non-current assets	19	0.0
(0.4)	Current liabilities	20	(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 Limited (previously Bilfinger Europa Facility Management 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 2019/20 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 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. 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	51.5
Total	60.0	61.0

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	61.0

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

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 £m	Market value 31 March 2021 £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	<u>835.3</u>				<u>1,032.3</u>

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	<u>856.4</u>				<u>835.3</u>

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			31 March 2021	
£m	%		£m	%
387.5	49.6%	Legal & General	501.1	51.2%
0.2	0.0%	London CIV	0.2	0.0%
25.2	3.2%	JP Morgan	48.8	5.0%
59.2	7.6%	Capital Dynamics	46.2	4.7%
110.8	14.2%	LCIV - Baillie Gifford	130.7	13.4%
50.1	6.4%	LCIV - Ruffer	90.8	9.3%
30.6	3.9%	LCIV- MAC (CQS)	42.8	4.4%
0.5	0.1%	LCIV - Infrastructure	11.8	1.2%
0.1	0.0%	Aviva	0.0	0.0%
24.6	3.1%	Alinda	23.1	2.4%
92.6	11.9%	Blackrock	83.0	8.5%
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
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Sensitivity of assets valued at Level 3

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

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

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.

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Values at 31 March 2021	£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

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
Values at 31 March 2020	£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			897.4		
0.1			0.0		
84.3			81.1		
	53.9			53.8	
	4.0			1.5	
781.4	57.9	0.0	978.5	55.3	0.0
Financial assets			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 £m		31 March 2021 £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	100BPS
			-

	£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	- 100BPS
	£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)
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Assets exposed to currency rate risk	Asset value as at 31 March 2020	+1%	-1%
	£m	£m	£m
Overseas unit trusts	293.4	2.9	(2.9)
Overseas pooled property investments	0.1	0.0	(0.0)
Overseas private equity/infrastructure	84.3	0.8	(0.8)
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 £m	Balances as at 31 March 2021 £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 assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

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

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

Financial assumptions

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

Longevity assumption

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

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

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

Sensitivity Analysis

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

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

19. Assets

a) Current assets

	31 March 2020	31 March 2021
	£m	£m
Debtors:		
- Contributions due – employees	0.7	0.2
- Contributions due – employers	2.9	0.7
- Sundry debtors	0.5	0.6
Total	4.1	1.5

Analysis of debtors

	31 March 2020	31 March 2021
	£m	£m
Central government bodies	0.5	0.6
Other local authorities	3.5	0.9
Other entities and individuals	0.1	0.0
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	31 March 2021
	£m	£m
Group transfers	0.0	0.0
Sundry creditors	0.4	3.1
	<u>0.4</u>	<u>3.1</u>

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	<u>0.4</u>	<u>3.1</u>

21. Additional voluntary contributions

	Market value 31 March 2020 £m	Market value 31 March 2021 £m
Clerical Medical	1.3	1.3
Equitable Life	0.2	0.2
Prudential	0.3	0.6
	<u>1.8</u>	<u>2.1</u>

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

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

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

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 £m	31st March 2021 £m
Apleona HSG Limited (previously Bilfinger Europa Facility Management Limited)	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.

Statement of Responsibilities

The Fund's responsibilities

The Fund is required to:

- make arrangements for the proper administration of its financial affairs and to make one of its officers responsible for the administration of those affairs. At Brent Council, the Director of Finance fulfils that responsibility.
- manage its affairs so as to use resources economically, efficiently and effectively, and safeguard its assets
- approve the Brent Pension Fund's statement of accounts.

Director of Finance's responsibilities

The Director of Finance is responsible for preparing the Brent Pension Fund's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2020/21 ('the Code of Practice').

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Director of Finance has also:

- kept proper accounting records, which are up to date
- taken reasonable steps to prevent fraud and other irregularities.

Director of Finance's statement

I certify that the statement of accounts as set out on pages 33 to 62 presents a true and fair view of the financial position of the Brent Pension Fund as at the accounting date and its income and expenditure for the year ended 31 March 2021.



Minesh Patel CPFA

Director of Finance

Date: 15th September 2021

9. Independent Auditor's 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.

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 63, 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

Independent auditor's report to the members of London Borough of Brent on the consistency of the pension fund financial statements of Brent Pension Fund included in the Pension Fund Annual Report 2020/21

Opinion

The pension fund 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 the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 29 September 2021.

Director of Finance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2012/21.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(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

30/11/2021

10. Glossary

Active Management

A style of investment management which seeks to provide outperformance of a relevant benchmark through either asset allocation, market timing or stock selection (or a combination of these). Directly contrasted with passive management that seeks to replicate the performance of a selected benchmark.

Actuarial assumptions

The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.

Actuarial Valuation

A review of the Pension Fund by a qualified Actuary, which takes place every three years to ensure that employers' contributions are sufficient to maintain the solvency of the Fund in the long term.

Actuary

An independent qualified consultant who carries out the Actuarial Valuation and advises on new investment strategies.

Administering Authority

A local authority with statutory responsibility for running a pension fund under LGPS regulations, in effect the Fund's "trustees". Within the geographical boundary of the London Borough of Brent this is Brent Council.

Admitted Bodies

An organisation, which, under the Pension Scheme Regulations, is able to apply to the Administering Authority to join the Scheme (e.g., a contractor providing services to the Council or another scheduled body). Upon acceptance, an Admission Agreement is prepared which sets out the employer's obligations and admits the organisation to voluntarily participate in the Fund and allowing its employees to join.

Alternative Investments

Less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

Asset Allocation / Asset Mix

The apportionment of the Fund's assets between asset classes and/or markets. Asset allocation may be either strategic, i.e., long term, or Tactical, i.e., short term, aiming to take advantage of relative market movements.

Auditor

An independent qualified accountant who is required to verify and agree the Pension Fund Accounts and issue an opinion on their accuracy.

AVCs

Additional voluntary contributions – paid by a contributor who decides to supplement his or her pension by paying extra contributions to the scheme's AVC providers (Clerical Medical and Equitable Life).

Benchmark

A “notional” fund or model portfolio which is developed to provide a standard against which a manager's performance is measured, e.g., for a global equity fund the benchmark against which it will be measured could be made up 70%/30% by overseas equities/UK equities. A target return is generally expressed as some margin over the benchmark.

Bond

A certificate of debt, paying a fixed rate of interest for a defined period of time, issued by companies, governments or government agencies.

Bulk Transfer

A transfer of a group of members agreed by and taking place between two pension schemes.

Cessation Valuation

A calculation carried out by the Actuary when an employer leaves the Fund, which may result in a final deficit payment becoming due to the Fund.

Common contribution rate

The Fund-wide future service rate plus past service adjustment. It should be noted that this will differ from the actual contributions payable by individual employers.

Commutation

The conversion of an annual pension entitlement into a lump sum on retirement.

Contingent Liability

A possible loss, subject to confirmation by an event after the Balance Sheet date, where the outcome is uncertain in terms of cost.

Covenant

The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

Deficit

The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Discount rate

The annual rate at which future assumed cash flows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit. A lower discount rate gives a higher

liabilities value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate.

Dividends

Income to the Fund on its holdings of UK and overseas shares.

Emerging Markets

The financial markets of developing economies.

Equities

Shares in UK and overseas companies that can be traded on public markets.

Final Pay

This is the figure used to calculate most of a member's pension benefits and is normally their pay in the last year before they retire, or one of the previous two years' pay if that amount is higher. For a part-time employee, the figure used is normally the pay they would have received had they worked whole time.

Fixed Interest Securities

Investments in stocks mainly issued by governments, which guarantee a fixed rate of interest.

FTSE

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

Fund Manager

A firm of professionals appointed by the Pension Fund Sub-Committee to carry out day to day investment decisions for the Fund within the terms of their Investment Management Agreement.

Funding Level

The ratio of assets value to liabilities value.

Funding Target

The amount of assets which the Fund needs to hold at any point in time to meet all benefits promised.

Future service rate

The actuarially calculated cost of each year's build-up of pension by the current active members, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial assumptions.

Gilts

Fixed-interest bonds issued by the British government, i.e., a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main

use in funding is as an objective measure of solvency. They are the equivalent of U.S. Treasury securities.

Global Custodian

A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

Guarantor

A body which guarantees to pay for an Admitted Body's liabilities in case of default. For any new Admitted Body wishing to join the Fund, the Administering Authority will require a Guarantor. The presence of a Guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its Guarantor's.

Hedge Fund

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

Hedging

A strategy which aims to eliminate a risk in an investment transaction (both upside and downside potential). Often used in the context of overseas investments to eliminate the impact of currency movements.

Income Yield

Annual income on an investment divided by its price and expressed as a percentage.

Index

A measure of the value of a stock market based on a representative sample of stocks. An index is often used as a benchmark for the performance of a group of shares or bonds.

Index-Linked Securities

Investments which generate returns in line with an index.

Investment Adviser

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals.

Letting employer

An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS

Local Government Pension Scheme – a nationwide scheme for employees working in local government or working for other employers participating in the scheme. Government Regulations dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by

Regulations, e.g., regarding investment strategy, employer contributions and choice of advisers.

Liabilities

The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

LIBOR

London Inter Bank Offer Rate – the interest rate that banks charge each other in the short-term international money market. It is often used as a benchmark to set other interest rates or to measure returns on investments.

Mandate

A set of instructions given to the fund manager by the client as to how a fund is to be managed (e.g., targets for performance against a benchmark may be set or the manager may be prohibited from investing in certain stocks or sectors).

Market Value

The “on paper” value of a security at a specific point in time. It is calculated by multiplying the number of shares held by market price of that share in sterling terms.

Maturity

A general term to describe a Fund (or an employer’s position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members

The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Orphan Liabilities

Residual liabilities of employers from whom no further funding can be obtained.

Outperformance / underperformance

The difference in returns gained by a particular fund against the “average” fund or an index over a specified time period, i.e., a target for a fund may be outperformance of a given benchmark over a three-year period.

Past service adjustment

The part of the employer’s annual contribution which relates to past service deficit repair.

Performance

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period – either in absolute terms or as measured against the “average” fund of a particular benchmark.

Pooled Investment Fund

A collective investment scheme that works by pooling money from different individual investors.

Pooling

Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Portfolio

Term used to describe all investments held.

Private Equity

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e., not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e., current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.

Rates and Adjustments Certificate

A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Recovery Period

Timescale allowed over which surpluses or deficiencies to the Fund can be eliminated.

Regulations

The Scheme is governed by Regulation approved by Parliament. Necessary amendments are made to these Regulations by means of Statutory Instruments.

Risk

Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more "stable" investments before investors will buy them.

Scheduled Bodies

These are organisations as listed in the Local Government Pension Scheme Regulations 1997 (Schedule 2) who must be offered membership of their local LGPS Fund as of right. These include Councils, colleges, universities, academies, police and fire authorities, etc., other than

employees who have entitlement to a different public sector pension scheme (e.g., teachers, police and fire officers, university lecturers).

Securities

Investment in company shares, fixed interest or index-linked stocks.

Solvency

When the Fund's assets are greater than or equal to 100% of the Funding Target, which is the liabilities value.

Stabilisation

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Statement of Investment Principles

Requirement, arising from the Pensions Act 1995, that all occupational pension plan trustees must prepare and maintain a written Statement of Investment Principles outlining policy on various investment matters (e.g., risk, balance between real and monetary assets, realisability of assets, etc.).

Theoretical contribution rate

The employer's contribution rate, including both future service rate and past service adjustment, which would be calculated on the standard actuarial basis, before any allowance for stabilisation, or other agreed adjustment.

Transfer Value

Capital value transferred to or from a scheme in respect of a contributor's previous periods of pensionable employment.

Unit Trust

A method which allows investors' money to be pooled and used by fund managers to buy a variety of securities.

Valuation

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2019), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Yield Curve

A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates. For bonds, it typically compares the two- or five-year Treasury with the 30-year Treasury

11. Appendices

a. Pensions Administration Strategy

London Borough of Brent

Pension Administration Strategy (PAS)

December 2018

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London Borough of Brent Pension Administration Strategy (PAS)

1. Introduction

The Local Pensions Partnership (LPP) started as the pension administrators for the Brent Pension Fund on 1 October 2018. The LPP perform their pension administration in a different way to the previous pension administrators and the PAS has been revised to take those changes into account.

In addition, the Pension Administration Strategy has been updated to take account of changes to the LGPS regulations and the guidance from The Pensions Regulator.

This revised Pension Administration Strategy applies to all employers, academies, and maintained schools (referred to as here as scheme employers or employers).

The aim of the revised Pension Administration Strategy is to ensure that the London Borough of Brent Pension Fund ("the Fund"), "the Administering Authority" (The London Borough of Brent), and employers work together to ensure that accurate data is submitted in a timely manner and member events are notified within the service level agreement set out in this document. The Fund's strategy is to work with employers to achieve this and to assist and support employers to do so.

2. Pension Administration Strategy Policy Statement

2.1 Pensions Administration Strategy Statement

The statement sets out the aims and objectives of the Pensions Administration Strategy and gives a summary of the major elements which make up the strategy.

2.2 Legislative context

- Local Government Pension Scheme (Benefits, Membership and Contributions)
- Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and savings) Regulations 2013.

2.3 Aims

In making this strategy the Funds aims are:

- To clarify the roles and responsibilities of the "Fund" and scheme employers in administering the Local Government Pension Scheme
- To ensure the services provided by the "Fund" are equitable and transparent
- To assist employers in the effective provision of necessary data.

2.4 Objectives

The Pension Administration Strategy will meet those objectives by introducing a service level agreement between the "Fund" and scheme employers.

2.5 Documents which make up the strategy

Together with this statement the strategy is set out in the following documents:

Pensions Administration Strategy - Service Level Agreement

The service level agreement sets out the roles and responsibilities of the “Fund” and scheme employers.

Pensions Administration Strategy - Employer guide

The guide sets out the processes and procedures employers should follow in order to comply with their legal responsibilities under the LGPS regulations.

3. Service Level Agreement

Pensions Administration Strategy - Service level agreement

3.1 Employer Functions

The following functions have been designated employer functions. This means that they are outside the responsibilities of the administering authority. The “Fund” provides these services for a fee (staffing charges applied by the day or per hour) and the amounts are set out in Appendix 1.

There are no changes to these functions as a result of the revised strategy.

Task	Description
Redundancy and Severance	Calculation and payment of redundancy and/or severance payments
FRS 17	Provision of data required for FRS17 calculations
Cessation and interim valuation data	Provision of data required for interim and/or cessation valuations
Miscellaneous non LGPS	Any requests for advice or work which are outside of the requirements of an administering authority as defined by the LGPS regulations
Admission Agreements	Setting up and amendment of admission agreements
3 rd Party activity	Recharges will apply to any work for which a third party is required e.g. lawyer or actuary, and the cost will be incurred by the employer

3.2 Actuarial Functions

The following functions have been designated actuarial functions that employers will require input from both the LPP and the Fund's Actuary Hymans Robertson. This means that they are functions which if required, must be provided by the LPP and/or Hymans Robertson.

As above, there are no changes to these functions as a result of the revised strategy.

Task	Description
Legal work & non-standard actuarial work	Any work in relation to this will require input from both the LPP and the Funds Actuary
Cessation valuations	Any work in relation to this will require input from both the LPP and the Funds Actuary
Employer actuarial valuations	Any work in relation to this will require input from both the LPP and the Funds Actuary
Academy conversion	Any work in relation to this will require input from both the LPP and the Funds Actuary
Valuation of unfunded liabilities	Any work in relation to this will require input from both the LPP and the Funds Actuary

3.3 Adminstrating Authority Functions

The following functions have been designated administrating authority functions since they relate directly to the core purpose of administering the scheme.

Also shown are the timescales we will complete the task within (from receipt of all information) and the on time target for each task.

Case Type/Task	Limitation	Timescale (working days)	Target (% within timescale)
Admissions	No	10	95%
Transfers In	No	10	95%
Transfer Out	No	15	95%
Estimates employee	No	10	95%
Retirements	No	5	95%
Deferred Benefits	No	10	95%
Refunds	No	10	95%
Deaths	No	5	95%
Correspondence	No	5	95%
PR update	No	20	95%
Queries to employer	No	15	95%

3.4 Employer Responsibilities

Employers will be responsible for the following functions/tasks to be performed/supplied in the manner and timescale set out below.

An employer guide can be found at Appendix 3.

<p>Payments of monies due</p>	<ul style="list-style-type: none"> • Monthly contributions – on time and the correct amount • Payroll Recharge – on time, and the correct amount • Capital Sums – on time, and the correct amount • Single payments of contributions
<p>End of year error rates</p> <p>Examples of end of year errors</p> <ul style="list-style-type: none"> • A missing joiner Form • A missing leaver Form • A missing change of hours • A missing notification of absence • Return from absence • Missing additional contributions • Significantly low/high pensionable remuneration compared to the previous year with no explanation as to the reason 	<p>Respond to errors within 10 working days of notification</p> <p>If you are unable to respond in ten working days then inform the LPP of the likely time frame that you can respond in and advise Brent Pensions of the delay</p>
<p>Submission of year end return</p>	<p>You must submit your year end return by 30th April each year</p> <p>If you are unable to submit your yearend return then inform the LPP of the likely time frame that you can provide it and the reason why and advise Brent Pensions of the delay</p>
<p>Response to other queries raised (e.g. by the LPP Pensions Services or Employer Services teams)</p> <p>There are times where the LPP may need to confirm with you that a member's record is correct before issuing them with a benefit calculation. It is these types of queries that we are referring to</p>	<p>2 weeks from notification by the LPP Pensions Operations or Data Management teams</p> <p>If unable to respond in 2 weeks then inform the LPP of the likely timeframe that you can respond in and advise Brent Pensions of the delay</p>

On-line access	
Employer LPP portal “YourFund”	Use of online Forms for all relevant tasks
Submission of joiners/leavers	<ul style="list-style-type: none"> • Notification of joiners within 1 month of joining the scheme • Notification of leavers within 1 month of leaving the scheme • Notification of retirement within 1 month prior to the last day of service
Notification of other changes during employment	<ul style="list-style-type: none"> • Relevant changes e.g. change of hours, absence notification online within 1 month of the event
Correct admission of members into the Fund	You must ensure that you are correctly admitting members into the “Fund”
Up to date discretions policies in place	Discretionary policies to be in place and up to date
Customer Relationship Management contacts	<ul style="list-style-type: none"> • LPP notified of contact change or new contact within 1 month via the employers contact form

4. Staff Charging Schedule

The Fund’s staffing charges for work over and above the responsibilities of the administering authority as at December 2018.

VAT is charged on all applicable items.

Staffing level	Charge per day excluding VAT	Charge per hour excluding VAT
Admin Staff	£382.00	£53.00
Team Leader	£534.00	£78.00
Specialist	£534.00	£78.00
Manager	£727.00	£103.00
Senior Manager	£998.00	£142.00
Director	£1,470.00	£210.00

5. Pensions Administration Strategy – Charging

5.1 Why we need to charge

Whilst the vast majority of employers do provide accurate scheme data on time and process member pension events such as joiners and leavers, there remains a small cohort of employers who have not done so. The Pension Regulator is insistent that all employers comply with their legal duties and for the “Fund” to have in place a mechanism to impose a levy on employers who fail to do this. Following The Pension Regulator’s guidance the “Fund” has incorporated levies for non-compliance of these duties.

5.2 Circumstances on when we would charge

The “Fund” has not set out to arbitrarily impose levies on employers for every minor infraction an employer makes in regards to providing scheme data and processing member’s events. The aim is for all employers to work together with the “Fund” and our pension administrator to comply with their legal duties. The service level agreement sets out the timeframes on how long particular functions should be completed by. The “Fund” recognises that there are times when this will not be met or be possible and it is not the Funds intention to automatically levy an employer for this, however employers are expected to remedy matters as soon as is practicable. Should it be the case that an employer persistently takes no regard of the Funds request to comply with their legal duties, and does not work with the Fund to overcome these shortcomings, then imposing a Levy on an employer would be considered (please note that it is the Funds aim is to actively engage with employers to provide them with support to bring them into line with meeting their legal duties before imposing a levy).

5.3 Monitoring after a Levy has been made on an employer

Should it be the case that the “Fund” has imposed a levy on an employer, then that employer will be encouraged and supported to meet its legal duties. Their performance will be monitored and if they are complying with and continue to comply with their legal duties, then consideration will be made by the “Fund” to refund the Levy imposed on them by the “Fund”.

6. Fees – Appendix 1

As a last resort and after trying to assist the employer with support or training, the “Fund” reserves the right to levy a fee on an employer whose performance consistently falls short of the standards set out in this document.

Activities	Fees excluding VAT
Late payment of monthly contributions - electronically after 22 th Calendar month following deduction and 19 th for cheques (Required by law)	£60 plus interest calculated on a daily basis
Monthly Contributions – non provision of the correct schedule of payments in stipulated Format and accompanying the respective contribution payment	£60 per occasion
Change Notification – failure to notify administrators of a change to a members working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absent without permission) – within 1 month of the change of circumstances	£60 per occasion
Year End Data – failure to provide year end data by 30th April following the year end	£235 initial fee then £95 for every month the information remains outstanding
Year End Data Queries – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale	£60 initial fee then £25 for every month the information remains outstanding
New Starter - failure to notify the administrator of a new starter within 1 month of joining the scheme	£60 initial fee then £25 for every month the information remains outstanding
Leaver – failure to notify the administrator of any leaver within 1 month of leaving the scheme	£60 initial fee then £25 for every month the information remains outstanding
Retirees – failure to notify the administrators when a scheme member is due to retire within 1 month before the retirement date	£60 initial fee then £25 for every month the information remains outstanding

<p>Late payment of pension benefits – if due to an employer’s failure to notify the administrator of a scheme members retirement, interest becomes payable on any lump sum paid. The administrator will recharge the total interest paid to the employer</p>	<p>Interest charged in accordance with regulation 44 of the LGPS administration regulations</p> <p>Charged at Bank of England Base rate plus 1%</p>
<p>Change of employer contact details - The “Fund” not notified of contact change or new contact within 1 month of alteration</p>	<p>£60 per occasion</p>
<p>Submission of pension contribution data – The “Fund” not informed by the employer of not having submitted pension contribution data or contributions within the timelines set out in this agreement</p>	<p>£60 per occasion</p>

Appendix 2 - Regulation Extract

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

Pension administration strategy

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("its pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are-

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Payment by Scheme employers to administering authorities

69.—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

- (a) all amounts received from time to time from employees under regulations 9 to 14 and 16 (contributions);
- (b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;
- (c) a contribution towards the cost of the administration of the fund; and
- (d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995(41); and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)(42).

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing—

- (a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),
 - (b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),
 - (c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),
 - (d) the total employee contributions deducted from pensionable pay referred to in sub-paragraph (c),
 - (e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (a) and (c),
 - (f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and
 - (g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.
- (4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.
- (5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.
- (2) The administering authority may give written notice to the Scheme employer stating-
- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
 - (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
 - (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Background

- (A) The Administering Authority is an administering authority. It administers and maintains the Fund in accordance with the Regulations.
- (B) The Employer is a transferee admission body listed in Schedule 2 of the Administration Regulations.
- (C) In accordance with Regulation 59 of the Administration Regulations, the Administering Authority has prepared the Pension Administration Strategy Statement setting out amongst other things the Service Level Agreement.
- (D) In preparing the Pension Administration Strategy Statement, the Administering Authority consulted the employing authorities in the Fund (including the Employer), the Pensions Board, and such other persons it considered appropriate.

The Administering Authority published the Pension Administration Strategy Statement and sent a copy of it to each of the employing authorities in the Fund (including the Employer) and to the Secretary of State.

- (E) The Administering Authority will keep the Pension Administration Strategy Statement (including the Service Level Agreement) under review and will make such revisions as are appropriate following any material change in its policies in relation to any of the matters contained in the Pension Administration Strategy Statement.
- (F) The Administering Authority and the Employer have agreed to enter into this Agreement to document their agreement to comply with and be bound by the terms of the Service Level Agreement.

Now it is agreed as follows:

1. Interpretation

1.1 The following expressions have the following meanings:

“1997 Regulations”	the Local Government Pension Scheme Regulations 1997 (to the extent applicable by reason of the Transitional Regulations)
“Administration Regulations”	the Local Government Pension Scheme (Administration) Regulations 2008
“Benefit Regulations”	the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
“Core Scheme Functions”	the functions identified in the Service Level Agreement as being core Scheme functions
“Fund”	the Pension Fund

“Pension Administration Strategy Statement”	the Administering Authority’s statement prepared in accordance with Regulation 59 of the Administration Regulations as revised from time to time in accordance with that Regulation
“Regulations”	the Administration Regulations, the Benefit Regulations, the Transitional Regulations and the 1997 Regulations
“Scheme”	the Local Government Pension Scheme established by the Regulations made by the Secretary of State under sections 7 and 12 of the Superannuation Act 1972
“Service Level Agreement”	the section of the Pensions Administration Strategy Statement setting out the levels of performance which the Administering Authority and its employing authorities are expected to achieve in carrying out their Scheme functions including performance targets. The Service Level agreement may be revised from time to time as part of the Pensions Administration Strategy Statement. A copy of the Service Level Agreement current as at the date of this Agreement is included in the documentation
“Transitional Regulations”	the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 & 2013

1.2 Expressions have the same meaning as in the Regulations, except where the context otherwise requires.

1.3 Any reference in the Agreement to any law or piece of legislation shall include any subsequent amendment to it and any ancillary legislation made under it.

2. The Service Level Agreement

2.1 With effect from the date of this Agreement, the Administering Authority and the Employer agree to use their best endeavours to comply with and be bound by the terms of the Service Level Agreement.

2.2 In consideration of this Agreement the Administering Authority will charge the Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.

2.3 If in the opinion of the Administering Authority the Employer has not complied with the terms of the Service Level Agreement the Administering Authority may charge the Employer a higher contribution towards the cost of the administration of the Fund.

2.4 When considering whether to charge the Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Administering Authority shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.

2.5 Clause 2.3 shall not affect the Administering Authority's ability under Regulation 70 of the Administration Regulations to give written notice to the Employer where it has incurred additional costs which should be recovered from the Employer because of the Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.

2.6 The Employer acknowledges that the Service Level Agreement may be revised from time to time by the Administering Authority in accordance with Regulation 59 of the Administration Regulations and that the Employer will comply with and be bound by the terms of the revised Service Level Agreement.

3. Other Charges

3.1 The Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.

3.2 Where the Employer requests that the Administering Authority provides services beyond these functions the Administering Authority reserves the right to charge the Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time with the Administering Authority and the Employer.

4. Notices

Any notices under this Agreement shall be in writing and shall be served by sending the same by first class post, fax, facsimile or by hand or leaving the same at the headquarter address of the Employer or the headquarter address of the Administering Authority.

5. Waiver

Failure or neglect by the Administering Authority to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's rights nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's rights to take subsequent action.

6. More than one Counterpart

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

7. Laws

This Agreement will be governed by and interpreted in accordance with the laws of England and Wales.

Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

Appendix 3 – Employer Guide

Employer Guide

What the “Fund” and the LPP needs from you to administer your employees’ pensions, with accuracy and efficiency.

Clean and accurate data

This means that we need to know details of all changes to your employees regarding their pension.

This includes:

- Joining the scheme
- Changing their working hours and/or working weeks
- Any unpaid leave (i.e. authorised absences, whether maternity/paternity/adoption leave, or ordinary unpaid leave)
- Any unauthorised absences (these are automatically entered as breaks in service as the member is not allowed to repay pension contributions for that period)
- Any strike periods
- Any reductions in pay
- Leaving the scheme (whether opting out, normal leaver or retiring).

The above changes can be notified by completing the relevant online Form.

We also need accurate data for the end of year returns. This enables us to identify any missing data in our records quickly, thus enabling accurate valuation of the fund and thereby keeping employer contribution rates down.

Brief Summaries of Actions needed

Joining the scheme

The online Joining Form must be completed with the following information:

- date from which the member first had contributions deducted
- the contribution rate
- the weekly hours the member works, and, if appropriate, the weeks per year that they work
- what pensionable pay the member receives, and, if appropriate, the full-time equivalent pensionable pay
- confirmation that the member has a contract of employment that lasts at least three months.

Change of hours

The online Change of Hours Form must be completed when you need to inform the LPP that a member has changed their weekly working hours, their working weeks per year, or both. We will need to know the hours (and/or weeks) they are changing to, and also the hours (and/or weeks) that they have changed from to enable us to check that our records are completely up to date.

Sick Leave

The LPP does not need to be informed if a member of the scheme is placed on reduced pay, or no pay due to sick leave.

Unauthorised Absence

It is not common for an employee to have a leave of absence that is not authorised by their employer. However, if a member does have such a period, the LPP need to be informed as this period will not count towards the calculation of their benefits and they will not have the opportunity to repay the contributions for that period. Therefore, please complete the Unauthorised Absence online Form if such a situation occurs.

Unpaid leave (Including maternity/paternity/adoption leave)

Any period of ordinary unpaid leave (or leave on reduced pay) that lasts less than 31 days does not need to be notified to LPP, although the member must have contributions for that period deducted from his pay on his return, and employer contributions must also be paid.

If the ordinary unpaid leave (or leave on reduced pay) lasts 31 days or more, then the LPP must be informed. The online Notification of Absence and Return from Absence Forms must be completed.

A strike period must be treated differently to ordinary unpaid leave, but it is not classified as unauthorised absence. The online Notification of Absence and Return from Absence Forms must be completed.

A member who goes on parental leaves must continue to have contributions deducted, but on the pay that they are actually receiving (including any statutory entitlement), not the pay they would have received, but for being on leave.

Once the member goes onto unpaid parental leave, the online Notification of Absence Form must be completed.

The LPP do not need to be informed if a member has a period of leave to enable them to perform jury service, but the contributions for that period must be paid by both employer and employee and must be based upon the pay that the member would have received if not performing jury service.

Leaving the scheme

It is essential that the LPP receives accurate, timely information regarding a member's pay when they cease to contribute to the pension scheme. When a member leaves the scheme, please complete the online Leaver Form. The appropriate online Ill Health Declaration Form, must also be completed if the member is retiring on the grounds of ill-health.

A member who opts-out of the scheme with less than three months membership must have their pension contributions refunded to them and will be treated as never having been in the scheme. In such cases, please complete the online Leaver Form.

If a member leaves your employment with less than three months membership, their contributions will be refunded to them. Please complete the online Leaver Form.

Monthly remittance/end of year returns

Each month a schedule of contributions paid must be completed with details of:

- Total pensionable remuneration against which contributions calculated
- The total employees' contributions
- The total employer's contributions
- Any cash payments that may be due from the employer
- The payment method and date.

The completed schedule of contributions paid and the contributions must be received by the Fund within 21 days of the end of the month, or 19 days for cheques, within which they were deducted from the employees' pay.

At the end of each year, a full submission of contributions must be submitted by each employer.

Please note that late submission of end of year returns will result in delayed annual benefit statements being sent to your employees, and could result in the Fund being incorrectly valued, leading to an increase in your employer contribution rate.

Using online Forms

To fully co-operate with the terms of the Pension Administration Strategy, online Forms must be used. To enable you to do this, a member of staff must be nominated to be your "Site Administrator" who will be able to/responsible for:

- Set up new users and determine their access levels
- Reset usernames and password
- Unlock locked accounts
- Disable user accounts
- Keeping your organisation's contact details up to date.

In this way, you can retain control over who has access to the site and is able to input the information required. The Site Administrator will also be our first contact for any news on updates to the website.

Nothing in this guide can override the information given in the Employer's Guide, the provisions of the Pension Regulations, or related legislation. The guide was up-to-date at the time of publication in October 2018. It is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over a member's pension benefits, the appropriate legislation will prevail as this guide does not confer any contractual or statutory rights and is provided for information purposes only. The Fund will not be held responsible for any loss, damage or inconvenience caused as a result of any inaccuracy or error.

Online Forms

Online Forms must be completed and the details immediately forwarded to the LPP to enter onto the relevant LPP systems. Any errors or inconsistencies in the data can be quickly identified and can be remedied.

b. Employer Numbers Table

The table below shows the Brent employers and their members' details as at 31 March 2021

Employer	Active	Undecided leaver	Deferred	Pensioner	Dependant	Frozen refund
London Borough of Brent	2271	10	6254	5133	874	833
Ark Elvin Academy	58	0	11	10	2	5
AGE CONCERN	0	0	3	4	0	0
MENCAP	0	0	5	2	0	0
Wettons (STH Ground Maint.)	0	0	0	3	0	0
Wettons (NTH Ground Maint.)	0	0	2	5	0	0
Ark Academy	75	0	79	4	1	25
Torah Temimah Primary School	0	0	1	0	0	0
Goldsborough H&N SVC LTD	0	0	15	100	5	0
Churchill Contracts (BACES)	0	0	1	0	0	0
Churchill Contracts (Day Cent)	0	0	4	1	0	0
Capital City Academy	50	0	66	11	3	3
College of North West London	0	0	2	0	0	2
NWL Jewish Day School	0	1	12	4	0	1
Newman Catholic College	50	0	43	19	2	16
Kilburn Park School	15	1	25	2	0	4
Malorees Junior School	23	0	7	8	0	2
St Josephs RC Primary School	46	0	33	16	5	7
Preston Manor High School	0	0	34	16	2	1
St Gregorys RC School	0	0	5	13	0	0
Copland Community School	1	0	36	33	2	0
Convent of Jesus&Mary Inf. Sch	24	0	53	17	3	4
Claremont High School	0	0	17	12	0	1
Alperton High School	0	0	33	21	0	0
Oakington Manor (not in use)	0	0	12	9	1	5
John Kelly Girls Tech College	0	0	6	7	0	0
John Kelly Boys Tech College	0	0	15	2	1	1
Kingsbury High School	0	0	64	44	3	8
Queens Park Community School	0	0	22	11	1	4
National Autistic Society(NAS)	34	1	118	114	5	3
Kilburn Skills	0	0	3	10	1	0
Sudbury Neighbourhood Centre	12	0	5	16	0	0
Brent Samaritans	0	0	0	1	0	0

Brent Crossroads	0	0	0	2	0	0
Pakistani Workers Association	0	0	0	1	1	0
Brent Association Disabled Peo	0	0	1	2	0	0
Harlesden Young Mums Project	0	0	0	2	0	0
WISE	0	0	0	0	1	0
Sudbury Primary School (Acad)	106	0	14	3	0	10
LEAP	5	0	4	1	0	0
Childcare	0	0	0	2	0	0
Carequest	0	0	0	1	0	0
Islamia Primary School	49	0	31	2	0	2
Claremont High School Academy	70	0	16	3	0	8
Brent Care at Home LTD	0	0	8	70	9	0
JFS School	67	0	44	13	0	13
Brent Housing Partnership LTD	0	0	7	2	0	4
Wetton Clean SVC (NTH Wembley)	0	0	0	3	0	0
Wetton Clean SVC (STH Wembley)	0	0	1	1	0	0
Jarvis Workspace FM LTD	0	0	1	1	0	0
Wembley High Technology Colleg	31	0	21	4	1	15
Sanctuary Housing Association	0	0	1	0	0	0
Alperton Community School	66	0	41	14	2	22
Furness Primary School (Acad)	37	0	11	4	0	3
Oakington Manor Primary School	64	0	14	2	0	14
Queens Park Community Sch AC	63	0	17	7	0	8
The Crest Boys Academy	0	0	15	6	0	0
The Crest Girls Academy	0	0	10	3	0	1
Opt Out - No Liability	0	173	1	0	0	1
Xerox (UK) Limited	1	0	0	0	0	0
Apleona HSG Ltd	6	0	5	2	0	0
Thames Reach Housing Ass	0	0	1	0	0	0
Sudbury Primary School	0	0	18	0	0	0
Mount Stewart JM School	29	0	10	5	0	3
Braintcroft JM School	49	0	9	1	0	5
Brentfield JM School	75	0	23	5	0	9
Carlton Vale Infant School	14	0	13	4	0	4
Christchurch Brond COFE School	18	0	6	1	0	0
Elseley JM School	42	0	10	6	0	6
Gladstone Park Primary School	0	0	1	1	0	0
Kingsbury Green JM School	78	0	19	2	0	9

St Margarets Clitheroe School	20	0	5	7	0	1
College Green Nursery	15	0	5	0	0	1
Wykeham JM Primary School	35	0	2	1	0	0
Vernon House	0	0	0	1	0	0
Leopold School	96	0	16	0	0	13
St Andrew & St Francis (Acad)	42	0	18	1	0	1
Veolia	31	0	16	9	3	0
Veolia (Ground Maintenance)	1	0	1	1	0	0
Conway Aecom Ltd	5	0	1	0	0	0
Barnardos	10	0	23	2	0	2
Michaela Community School Acad	36	0	7	1	0	6
Preston Manor High School AC	100	0	74	6	0	26
Ark Franklin Primary School	40	0	27	4	0	15
Convent of Jesus&Mary Lang Col	49	0	19	3	0	4
Gladstone Park Primary School	44	0	30	7	1	8
Kingsbury High School (Acad)	108	0	41	5	1	22
The Crest Academy	53	0	15	3	0	8
Woodfield School Academy	31	0	15	0	0	18
NWL Jewish Day School (Acad)	26	0	0	5	1	1
St Gregorys RC School (Acad)	36	0	8	4	0	4
Taylor Shaw	1	0	2	0	0	0
Manor School (Academy)	180	0	20	4	0	5
CATERLINK LTD	2	0	1	0	0	0
Anson Primary School	33	0	12	1	0	0
Barham Primary School	65	0	32	0	0	8
Byron Court	33	0	19	2	0	2
Chalkhill Primary School	72	0	9	0	0	1
Curzon Crescent Children's Cen	22	0	1	1	0	2
Donnington Primary School	26	0	7	1	0	2
Fawood Children's Centre	21	0	6	0	0	1
Fryent Primary School	67	0	6	4	0	5
Granville Childrens Centre	29	0	7	0	0	2
John Keeble CofE School	46	0	8	1	0	2
Lyon Park Infants School	3	0	3	0	0	0
Lyon Park Juniors School	55	0	8	1	0	3
Malorees Infant School	29	0	7	1	0	2
MICHAEL SOBELL SINAI SCHOOL	54	0	27	0	0	1
MITCHELL BROOK PRIMARY SCHOOL	73	0	26	1	0	4
Mora Primary School	30	0	9	1	0	4

MOUNT STEWART INFANTS	32	0	10	0	0	2
Newfield Primary School	30	0	10	2	0	0
Northview Primary school	23	0	11	1	0	0
Oliver Goldsmith	37	0	6	1	0	1
OUR LADY OF GRACE RC INFANTS	21	0	2	2	0	0
Our LADY OF GRACE RC juniors	17	0	1	0	0	1
Our Lady Of Lourdes Primary Sc	18	0	8	0	0	2
PARK LANE PRIMARY SCHOOL	49	0	20	1	0	3
Phoenix Arch School(Vernon Hou	15	0	8	0	0	2
PRESTON PARK PRIMARY	74	0	29	1	0	6
PRINCESS FREDERICA CE VA PRIMA	34	0	10	1	0	1
Roe Green Infant School	54	0	8	1	0	2
Roe Green Junior School	43	0	5	0	0	0
SALUSBURY PRIMARY SCH	66	0	26	0	0	2
ST MARY MAGDALENES SCHOOL	22	0	5	1	0	1
ST MARY'S CofE SCHOOL	29	0	7	0	0	2
ST MARY'S RC SCHOOL	18	0	10	0	0	5
St Robert Southwell Catholic S	39	0	9	0	0	1
STONEBRIDGE PRIMARY SCHOOL	43	0	9	2	0	2
The Village School	144	0	55	2	0	7
Uxendon Manor School	45	0	13	2	0	0
Wembley Primary School	88	0	10	1	0	1
Harlesden Primary School	51	0	2	2	0	4
COMPASS LEARNING PARTNERSHIP	24	0	2	0	0	2
London Borough-Non Member EDM	0	0	0	0	4	0
St Josephâ€™s Infant School	13	0	11	1	0	1
St Josephâ€™s Junior School	18	0	7	2	0	1
Edwards and Blake	4	0	2	0	0	0
Total	6199	186	8188	5925	935	1285

c. Funding Strategy Statement

London Borough of Brent Pension Fund

Funding Strategy Statement

March 2021

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1. Introduction

What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Brent Pension Fund (“the Fund”), which is administered by the London Borough of Brent, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from 31 March 2020.

What is the London Borough of Brent Pension Fund?

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

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

Why does the Fund need a Funding Strategy Statement?

Employees’ benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees’ contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers’ contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / Investment Strategy Statement (see [Section 4](#))

How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member of the London Borough of Brent: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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.

How do I find my way around this document?

In [Section 2](#) there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a [glossary](#) explaining the technical terms occasionally used here.

If you have any other queries please contact Ravinder Jassar in the first instance at e-mail address Ravinder.jassar@brent.gov.uk or on telephone number 0208 937 1487.

2. Basic Funding issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See [2.3](#) below, and the table in [3.3 Note \(e\)](#) for more details.

What is each employer's contribution rate?

This is described in more detail in [Appendix D](#). Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers – some employers are able to participate in the LGPS via a resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in [Section 3](#) and [Appendix D](#)).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non ill-health early retirements must be paid by the employer, see [3.6](#).

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see [Appendix D](#), section [D5](#), for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term high level risk measures, whereas contribution-setting is a longer term issue.

How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today

will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;

- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see [3.1](#)). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation ([see 3.3 Note \(b\)](#)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see [Appendix A](#).

What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

[The LGPS Scheme Advisory Board \(SAB\) issued advice to LGPS funds in May 2019](#). As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an approximate allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this will be achieved by building in a slightly higher required likelihood of reaching funding target, all other things being equal.

The fund will reassess the employer contribution rates at the next formal valuation of the Fund. If the outcome of the McCloud case is then known, a more accurate allowance for the impact will be made at that time.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a [consultation](#) seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3. Calculating contributions for individual Employers

General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and

- it may take longer to reach their funding target, all other things being equal.

Overleaf ([3.3](#)) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.

The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities	Academies	Other	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to “gilts exit basis” - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	Yes - see Note (b)	No	No	No	No
Maximum time horizon – Note (c)	19 years	19 years	19 years	19 years	Future working lifetime of actives	As per letting employer
Secondary rate – Note (d)	% of payroll	% of payroll	Monetary	Monetary	Monetary	Monetary
Treatment of surplus	Covered by stabilisation arrangement		Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority			Reduce contributions by spreading the surplus over the remaining contract term if less than 4 years, else no reduction
Likelihood of achieving target – Note (e)	70%	75%	70%	75%	80%	70%
Phasing of contribution changes	Covered by stabilisation arrangement		3 years	3 years	3 years	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	Note (g)	n/a	Note (h)		Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j) .			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (i) .		Participation assumed to expire at end of contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case low risk basis would apply. Letting employer

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Type of employer	Scheduled Bodies	Community Admission Bodies and Designating Employers	Transferee Admission Bodies
			liable for future deficits and contributions arising. See Note (i) for further details

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

Currently the only eligible Fund employer is the London Borough of Brent's Council Pool, although Academies will pay the same rate as the Council for at least the three years beginning 1 April 2020 (see Note (g)).

On the basis of extensive modelling carried out for the 2019 valuation exercise (see [Section 4](#)), the current stabilised rate for the Council Pool is a total contribution rate 35.0%, payable for the three years beginning 1 April 2020.

The stabilisation criteria and limits will be reviewed at the next formal valuation. This will take into account the Council's membership profile, whether stabilisation should continue to apply (and if so, whether this should be extended to other employers), and other relevant factors.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor, typically not to exceed 3 years.

Note (d) (Secondary rate)

The Secondary contributions for each employer are typically expressed in monetary terms (as opposed to percentage of payroll). This is to avoid the situation where a stagnating or falling payroll results in insufficient secondary contributions being made over the three year period.

For certain employers, at the Administering Authority's discretion but currently including all Academies, these payments may instead be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in [Appendix D](#).

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;

- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section [3.3](#) above;
- v. The new academy's actual contribution rate will be as per the Council rate, expressed purely as a percentage of pensionable pay. This applies whether or not the theoretical rate is above the Council rate. All other things being equal, this will mean some academies taking longer to pay off their deficit (where the theoretical rate is higher than the Council rate), or paying off the deficit more quickly (where the theoretical rate is below the Council rate).

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance or removal of the formal guarantee currently provided to academies by the DfE. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also [Note \(i\)](#) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

- i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit payable would be determined by the Administering Authority in accordance with the Regulations.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or

- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) made by the Admission Body and any employer providing a guarantee to the Admission Body.

As discussed in Section 0, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a [x%] loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in [Appendix E](#);
- Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate

revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore,, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- LEA schools generally are also pooled with the Council. However there may be exceptions for specialist or independent schools.
- Academy schools may be pooled within their Multi Academy Trust (if this applies).
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Employers must make these additional contributions as a one off payment to the Fund in the financial year following the award of an early retirement. In exceptional circumstances, the Administering Authority may at its absolute discretion agree to spread the payment over a period not exceeding three years. If this is agreed, interest will be charged using factors provided by the actuary.

Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see [3.8](#) below).

The cumulative cost of ill health retirements between actuarial valuations will in effect be reflected in the employer's results at the next valuation.

Where a different approach is adopted (eg regularly monitoring ill health experience and requesting contributions between valuations), details will be included in each that employer's Admission Agreement.

External ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see [3.3](#), [Note \(j\)](#)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.
- Active members switching employment from one Fund employer to another will result in assets equal to the past service liabilities being reallocated between the employers, i.e. a "fully funded transfer". This means that the deficit at the point of transfer is retained by the ceding employer.

However, in the case of schools converting to academy status (i.e. the members switch from Council employment to the new Academy); the process is instead as per Note (g) to section 3.3 above. This is because the guidance from the Department for Education and the Department for Communities and Local Government anticipates that the past service deficit will be inherited by the new Academy.

4. Funding strategy and links to investment strategy

What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix [A1](#)).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

5. Statutory reporting and comparison to other LGPS Funds

Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

*“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in October 2019 for comment;
- b) Comments were requested to be received no later than 31st January 2020;
- c) There was an Employers Forum on 13th November 2019 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

A full copy included in the annual report and accounts of the Fund;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to employee representatives;

A summary issued to all Fund members;

Copies sent to investment managers and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the [Brent Council website](#).

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Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- prepare and maintain a FSS and a ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));

- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>
Effect of possible asset underperformance as a result of climate change	Covered in the Fund's Investment Strategy Statement

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions</p>

Risk	Summary of Control Mechanisms
	from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

e) C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>

Risk	Summary of Control Mechanisms
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>
<p>An employer ceasing to exist resulting in an exit credit being payable</p>	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

0. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
1. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),

2. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)

at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)

with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;

9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

In particular, with effect from 1 April 2019, the Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

f)

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the “discount rate”)

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus 1.6% (appropriate to the basis used to allocate assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

g)

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of short term restrictions plus longer term increases linked to price inflation; the agreed blended rate is RPI less 0.7% p.a.. This is the same assumption used at the previous valuation.

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above) in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund’s “trustees”.
Admission Bodies	Employers where there is an Admission Agreement setting out the employer’s obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer’s time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be “fixed interest”, where the interest payments are level throughout the gilt’s term, or “index-linked” where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer’s covenant to be as strong as its guarantor’s.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually

	be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary contribution rates . See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

Valuation

A risk management exercise to review the Primary and Secondary contribution rates, and other statutory information for a Fund, and usually individual employers too.

d. Investment Strategy Statement

Introduction and background

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

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

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

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

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

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

The suitability of particular investments and types of investments

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

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

The Fund has the following funding principles:

- Ensure that sufficient resources are available to meet all benefit as they fall due for payment;
- Recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- Enable employer contributions to be kept as stable as possible and at reasonable cost; and,
- Maximise the returns from investments within reasonable risk parameters.

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

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

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

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

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

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

Strategic allocation

The Fund's current assets include:

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

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

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

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

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

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

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

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

Table 1: Fund allocation

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

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

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

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

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

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

Restrictions on investment

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

Table 2: Investment Restrictions

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

Managers

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

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

Risk Measurement and Management

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

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

Funding risks

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

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

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

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

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

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

Asset risks

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

The Committee measure and manage asset risks as follows.

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

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

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

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

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

Other provider risk

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

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

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

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

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

Assets to be invested in the pool

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

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

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

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

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

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

Structure and governance of the London CIV

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

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

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

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

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

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

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

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

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

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

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment

Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

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

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

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

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

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

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

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

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

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

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

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

Voting rights

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

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

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

Stewardship

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

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

Appendix – Investment Beliefs

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

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

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

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

Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

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

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

The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making – Investment managers are responsible

for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

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

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

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

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

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

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

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

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

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

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

e. Communications Policy Statement

Introduction

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

The Communications Strategy is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulation 2013. The provision requires the Administering Authority to:

- (1) Prepare, Maintain and publish a written statement setting out its policy concerning communications with:
 - (A) Members
 - (B) Representatives of members
 - (C) Prospective members
 - (D) Scheme employers

- (2) In particular the statement must set out its policy on:
 - (A) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
 - (B) the format, frequency and method of distributing such information or publicity; and
 - (C) the promotion of the Scheme to prospective members and their employers

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication.

Pension Fund Administration

From October 2018, the London Borough of Brent delegated the pension administration service to Lancashire County Council (LCC) who have engaged the Local Pensions Partnership (LPP) to undertake their pensions portfolio. LPP was formed in 2016 through a collaboration between LCC and the London Pensions Fund Authority (LPFA) and provides pension services to the Local Government Pension Scheme, police, firefighters and other public sector funds.

Communication Responsibilities and Resources

The provision of timely, relevant information in a suitable format is key to ensuring efficient and effective communications. It is important that we consider the costs in terms of resource and staff time for all communications and work with the LPP to ensure there are appropriate systems and processes in place to facilitate these communications with our stakeholders.

Communications with Scheme Members

Our aims for communicating with our scheme members are:

- To better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team
- To encourage the use of the pension scheme website and registration to My Pension Online - Member Self Service.

The Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the Brent Pension Scheme website and Member Self Service
- Working with LPP to ensure communications are relevant and timely

Action	Audience	Media	End of Year Review 2020
Review and update the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web	
Promote the use of the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web	
Promote My Pension Online – Member Self Service	Active and Deferred	Web	
Explore the development of My Pensions Online – Member Self Service for pensioner members	Pensioner	Web	
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	

The pension scheme will provide the following communications as required, in addition to day to day individual communications with members.

Communication	Media	Frequency of Issue	Distribution	Audience
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Post to home address for targeted communication	All
Forms	Web or paper	As required	Available to download or post to home address	All
Annual Benefit Statements	Web or paper if opted out of online statements	Annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred
Road shows/ Workshops	Face to face	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1 st pension payment and every April and May. Payslip sent if a variation in £3 or more	Post to home address	Pensioner
Notice of Pensions Increase	Paper / Electronic	Annually in April	Post to home address for those who opted out of e-communication and upload to http://www.yourpension.org.uk/Brent/Home.aspx	Pensioner

Communication	Media	Frequency of Issue	Distribution	Audience
Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Newsletters - Newsletters are issued as required, usually when a significant change to the scheme occurs. Pensions Increase newsletters are sent annually to advise pensioner members of the increase to their pension.

Forms – Many of the required LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and expression of wish form.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits to their normal retirement date. The associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant. For deferred members these show the current value of the pension benefits, associated death benefits and details of any individuals the member has nominated to receive the lump sum death grant. These released at the end of August and are available on My Pension Online – Member Self Service. Members can opt out of the online service and elect to receive a paper copy sent to their home address.

Pensioner payslips – The payslips are sent when a member receives their first pension payment. They are posted to the pensioner's home address.

Internal Disputes Resolution Procedure – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPP pension administration team or the Brent Pensions Projects or Contracts Manager

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the Brent Pensions website.

Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team

The Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media	End of Year Review 2020
Ensure pension forms are included in starter packs	New employees	Electronic	
Review and update the pension website	All	Web	
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	

The pension scheme will work with employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Paper	On commencing employment	Via employers	New employees
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All

Communication	Media	Frequency of Issue	Distribution	Audience
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pensions Joiner Option Form – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website.

Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding their funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers

The Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of Your Fund, the LPP's online submission portal
- on-going promotion of the employer section of the Brent pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2020
Maximise the use of the newly developed ERM employer communication database on Altair	Employers	System	
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face	
Review and update the pension website	Employer	Web	
Work with LPP and Scheme employers to implement Your Fund.	Employer	Web	
Work with LPP and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	

The pension scheme will provide the following communication to employers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	electronic	Annually	By email	All
Induction meeting	Face to Face	On becoming a scheme employer	By email	New scheme employers
Pension Website https://www.yourpension.org.uk/Brent/Home.aspx	Web	Continually available. Updated as required	Advertised on all communications	All

Communication	Media	Frequency of Issue	Distribution	Audience
Tupe Manual and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	Via email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All

Explanation of communications

Contact sheet – A form distributed annually to all scheme employers to ensure contact details are kept up to date. Details are recorded on the ERM system on Altair

Induction Meeting – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities. An information leaflet is being updated to accompany the meeting and will be made available on the pension website once completed

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP

Tupe Manual and Admissions Policy – These documents are relevant to Letting Authorities that are looking to outsource a service to a third party supplier

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website

Pension Fund Valuation Reports – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three year period

Funding Strategy Statement – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

Communications with Representatives of Members

Pensions Committee

Our aims for communicating with Pensions Committee are:

- To provide information to enable the Committee to make decisions delegated under the Council's constitution
- To provide information to ensure the Committee are kept informed of pension related matters
- To ensure the Committee are aware of their responsibilities in relation to the Scheme

The Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	Audience	Media	End of Year Review 2020
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	
To arrange required training as and when required	Pensions Committee Members	Face to Face	

The pension scheme will provide the following communication to Pensions Committee Members as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk website	Pension Committee Members and Trade Union representatives

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Briefings	Face to face	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to face	When there is a new Pensions Committee and as and when required	By email	Pensions Committee Members and Trade Union representatives

Explanation of communications

Pensions Committee Reports – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the Brent.gov.uk website

Pension Committee Briefings – Pension Fund officers attend each Committee meeting and provide a verbal briefing on each Committee report

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Training is shared with the Local Pension Board members where applicable

Pensions Board

Our aims for communicating with the Local Pensions Board are:

- To provide information to enable the board to assist the Scheme Manager in executing their duties
- To provide information to ensure the board are kept informed of pension related matters
- To provide training with regards to investment and administration matters

The Key actions will be:

- To submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

Action	Audience	Media	End of Year Review 2020
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	
To arrange required training as and when required	Local Pension Board	Face to Face and online	

The pension scheme will provide the following communication to the Pension Board as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk and yourpension.org.uk websites	Local Pension Board
Local Pension Board Briefings	Face to face	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	Before each board meeting. Continual self- development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board

Explanation of communications

Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

Other Stakeholders

Pension Fund Manager (Finance)

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

Local Pensions Partnership


The scheme manager is responsible for monitoring the administration contract with the Local Pensions Partnership. Monthly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

Investment Fund Managers

Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

Trade Unions

Trade unions in the London Borough of Brent are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

	Pensions Fund Sub-Committee 21 February 2022
	Report from the Director of Finance
Procurement of Actuarial, Custodian and Investment Management Services	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	n/a
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

- 1.1 The purpose of this report is to summarise the outcome of the Actuarial Services tender and seek authority to procure a contract for Custodian Services and Investment Management Services.

2.0 Recommendation(s)

That the Pension Fund Sub-Committee:

- 2.1 Notes the re-appointment of Hymans Robertson LLP as actuary for the Brent Pension Fund.
- 2.2 Approves the procurement of contracts for Custodian Services to the Brent Pension Fund and for Investment Management Services to the Brent Pension Fund.
- 2.3 Delegates authority to the Director of Finance to approve the pre-tender considerations set out in Standing Order 89, to evaluate bids and thereafter to award contracts to the preferred bidders in respect of the two services detailed in 2.2 above.

3.0 Detail

- 3.1 All Local Government Pension Funds are required to appoint a number of service providers in order for the Fund to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS) regulations.
- 3.2 **Actuarial services** include the provision of a number of key technical services for the fund including: the triennial valuation of the fund; the calculation of employer contribution rates; carrying out opening valuations for new scheme employers; closing valuations for exiting scheme employers; and ad-hoc advice and guidance.
- 3.3 Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires a triennial valuation to be carried out by an actuary as at 31st March 2016 and every third year afterwards.
- 3.4 The Fund's **custodian** is responsible for the safekeeping of assets in a range of global markets. This includes services such as settlement of trades, tax reclaims, investment accounting, online reporting and performance monitoring.
- 3.5 In relation to **Investment Management Services**, all LGPS Funds are required to procure such services in line with Regulation 7 of the Management & Investment Regulations 2016 which states:
- “An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.”
- 3.6 Investment Management Services include, but are not limited to, the production of quarterly monitoring performance reports, attendance at Pensions Subcommittee, performance monitoring of the Funds investment managers, selection of new managers, reviewing the Fund's investment strategy, advising on strategic asset allocation and preparation of key documents such as the Investment Strategy Statement.
- 3.7 Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. It is intended to conduct procurement exercises using one of the frameworks available for use by Local Government. For example, National LGPS Frameworks, managed by Norfolk County Council, is one such framework available for use by LGPS funds for Global Custody services and investment management services.
- 3.8 The benefits of using a Framework agreement are that the Council can reduce procurement time and costs because the framework has already been through a competitive tender and Public Contracts Regulations 2015 compliant procurement process. The Council is then able to call off the available frameworks for services without having to undertake full procurements, by

either running mini-competitions for services or through direct awards of providers as appropriate. Officers therefore feel that the use of the framework presents best value for the fund.

Appointment of Fund Actuary

- 3.9 Officers undertook a procurement exercise using the National LGPS Framework for Actuarial, Benefits & Governance Consultancy Services between August and October 2021. There were 4 providers of Actuarial Services on this framework: Aon, Barnett Waddingham, Hymans Robertson and Mercer.
- 3.10 The procurement exercise took the form of a mini competition. Each actuary was required to submit their responses to the questions outlined in the invitation to further competition document. Each submission was assessed against the evaluation criteria set out below:

Criteria	Weighting
Quality	55%
Price	35%
Social Value	10%
Total	100%

- 3.11 Responses were received from two providers on the framework. All elements of the responses were evaluated independently by a panel of Pension Fund Officers. The panel, with support from a Procurement officer, then proceeded to moderate their scores. Each element of the scoring was then combined to determine an overall score for each provider.
- 3.12 Following the tender process, the Fund has now appointed Hymans Robertson as their Fund Actuary for a period of 3 years with the potential to extend for a further two 1 year periods. The new contract commenced on 18th October 2021.

Custodian services and Investment Management Services

- 3.13 The contract for the Pension Fund Custodian (currently with Northern Trust) expires on 14 June 2022.
- 3.14 The contract for the Pension Fund Investment Management Service (with Hymans Robertson) expires on the 21 October 2022.
- 3.15 A new procurement exercise now needs to be carried out to appoint a provider for both of the above services. As mentioned above, officers have the option to use a framework for the process or to conduct a full tender exercise. This decision has not been finalised. Officers will consult with procurement officers on the best route however it is anticipated that use of a framework will be most advantageous for the Council.

3.16 Norfolk County Council has set up a National Framework for Global Custodian Services for the use of LGPS Funds. There are five firms signed up to this framework:

- Bank of New York Mellon
- Caceis Investor Services
- HSBC Bank plc
- Northern Trust
- State Street

3.17 National LGPS frameworks for Investment Management Services includes the following service providers:

- Aon Hewitt
- Deloitte
- Hymans Robertson LLP
- Isio
- Mercer Ltd
- Pricewaterhouse Coopers LLP
- Redington Ltd

3.18 After selecting the appropriate procurement route, officers will issue an Invitation to Tender (ITT) inviting service providers to bid for the contract. Additionally, Officers will consider the suitability of including members of the Committee in the process after consulting with the Council's procurement team.

3.19 All costs of these contracts will be met fully by the pension fund and there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as actuarial fees. Where bespoke advice is requested by fund employers, the relevant costs are charged back to the employer by the Fund.

4.0 Financial Implications

4.1 The estimated cost of the actuarial service contract will be approximately £115k per annum. This estimate is based current costs. The exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.

4.2 The estimated cost of the custodian contract will vary depending on the number of holdings and transactions undertaken over the course of the year and is estimated to be £60k per annum. The cost will be funded by the pension fund.

4.3 The estimated cost of the investment management services contract will be approximately £125k per annum. This estimate is based current costs. The exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.

5.0 Legal Implications

- 5.1 The Pensions Fund Sub-Committee are responsible for the appointment of external service providers for the Brent Pension Fund in accordance with its Terms of Reference in Part 4 of the Constitution. The Pensions Fund Sub-Committee may delegate the procurement and award of contracts to the Director of Finance.
- 5.2 Depending on the duration of the custodian contract and the investment management services contract (together the “Contracts”), they may be subject in full or in part to the procurement requirements of the Public Procurement Regulations 2015 (the “PCR 2015”).
- 5.3 The value of the Contracts will determine which rules apply to the procurement under the Council’s Contract Standing Orders. The use of framework agreements is detailed in Section 3 as a likely option for the procurement of the Contracts. The PCR 2015 allow the use of framework agreements and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full procurement process. Call offs under the framework need to be carried out in accordance with the framework rules, to include using evaluation criteria specified in the framework and utilising the terms and conditions set out in the framework.
- 5.4 Contract Standing Order 86(e)(ii) states that no formal tendering procedures apply where contracts are called off under a framework agreement established by another contracting authority, where call off under the framework agreement is approved by the relevant Chief Officer to include confirmation there is adequate budgetary provision and provided that the Director of Legal, HR, Audit and Investigations has advised that participation in the framework is legally permissible.

6.0 Equality Implications

- 6.1 The proposals in this report have been subject to screening and Officers believe that there are no adverse equality implications.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.


8.0 Human Resources

- 8.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

Report sign off:

Minesh Patel
Director of Finance

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	Pensions Fund Sub-Committee 21 st February 2022
	Report from the Director of Finance
LAPFF Engagement Report	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	1. LAPFF Engagement Report Q4 2021
Background Papers:	▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

- 1.1 This report is for noting and presents members with an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's commitment with LAPFF and its work demonstrates its commitment to Responsible Investment and engagement as a way to achieve its objectives.

2.0 Recommendation

- 2.1 The Committee is recommended to note this report.

3.0 Background of LAPFF

- 3.1 LAPFF (the Local Authority Pension Fund Forum) has 84 members, 7 pools and combined assets exceeding £300bn. With investments widespread in many sectors, LAPFFs aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

- 3.2 Leading the way on issues such as campaigns against excessive executive pay, environmental and human rights campaign, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.
- 3.3 In October 2019, the Pension Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

4.0 Engagement Report

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

Engagement Conducted by LAPFF

BHP

- 4.2 LAPFF have continued to engage with BHP, Vale and the affected communities in the hopes of speeding up reparations. The joint venture between BHP and Vale established to undertake compensation and reparations in relation to Mariana, and a general reference to Samarco operations re-starting. It was explained that the company's upstream tailings dams will not be de-characterised until 2035 at the earliest. The company officials stated the safety measures would be taken at these dams in the meantime.
- 4.3 LAPFF Recommends voting to oppose BHP's climate plan for its lack of alignment with the Paris Agreement. The LAPFF chair states climate change is not a negotiation. The number of plans that fail to meet the goals of the Paris Agreement is considered a concern.

Barratt Developments

- 4.4 The property sector is a major contributor to carbon emissions. The emissions come from when buildings are occupied and the sector is facing higher environmental standards from government. LAPFF have gained assurances

about plans that Barrett development are making towards achieving net zero for homes and for their operations. Barrett developments are engaging with their supply chain to meet the government's future homes standard.

Pharmaceutical Company Engagements

- 4.5 LAPFF are engaging with pharmaceutical companies discuss whether Covid-19 has forced them to change their business models or business strategies. The companies which responded have focused on operational changes, such as how staff work together online and determining the right balance of working from home and working from offices. There might be further developments to consider in respect of business models and strategies before companies can decide whether they are well-placed with their existing structures or whether they need to make adjustments in the longer-term.

Brazilian community members

- 4.6 The LAPFF chair engaged with four members of the affected Mariana communities to discuss their current situation. Concerns have been raised over lack of progress made in respect of either housing or other reparations.

Arizona community members

- 4.7 The LAPFF chair engaged with the mining reform coalition of the Arizona, who has raised concerns about the cultural heritage impacts of the BHP-Rio into resolution copper project and also about the water impacts. There has been no real assessment of the projects impact on water resources by the companies.

5.0 Financial Implications

- 5.1 Not applicable.

6.0 Legal Implications

- 6.1 Not applicable.

7.0 Equality Implications

- 7.1 Not applicable.

8.0 Consultation with Ward Members and Stakeholders

- 8.1 Not applicable.

9.0 Human Resources

- 9.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance



Quarterly Engagement Report

October-December
2021

Local
Authority
Pension
Fund
Forum

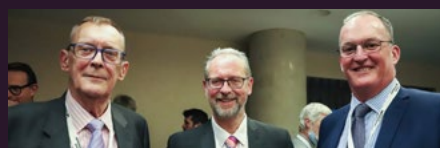
Rio Tinto, BHP, Anglo American, Roche, National Grid, LAPFF Conference

LAPFF CONFERENCE 2021



"We heard many fantastic presentations on a wide range of topics at the LAPFF Annual Conference this year. What struck me was the systemic nature of many of these problems. Systemic problems take a long time to fix, but LAPFF is in it for the long haul."

CLlr Doug McMurdo:



LAPFF held its 2021 conference in Bournemouth from 8–10 December. There was an opportunity to attend both in-person and online this year in light of Covid developments. Maintaining the in-person presence whilst allowing for a hybrid experience of speakers dialling in and attendees watching online allowed the whole event to run smoothly and provided a good experience.

The conference provided for a wide variety of interesting speakers and events. Across the three days, invited speakers presented on issues from COP26 to accountancy, a just transition to Covid. It was a privilege to introduce guest speakers from Brazil who described the harrowing impacts of the tailings dams collapses on their lives and communities. Broadcaster David Olusoga provided a gripping account of the untold stories of black British history.

HUMAN RIGHTS



Mining and Human Rights Report

Objective: Over the last couple of years, LAPFF has engaged intensively with mining companies on their human rights practices. The engagement has focused on the participation of affected stakeholders in mining company activities and decision-making. Based on these engagements with mining companies and affected stakeholders, LAPFF aimed to produce a report on its views regarding mining companies and human rights.

Achieved: LAPFF engaged business and human rights expert, Professor Robert McCorquodale, to lead on drafting the report. As sections of the report were drafted, they went to the LAPFF Executive and Business meetings for approval.

Although the reports were written

from an investor perspective, they have been presented through a human rights lens. As such, the first report covered the basics of the international human rights law framework. The second report followed with an explanation of how this framework applies to the mining sector, with examples of how human rights can be violated by mining companies and case studies based on human rights-related litigation in the mining sector. The third report presented LAPFF's views on engagements with top holdings – Anglo American, BHP, Glencore, Rio Tinto, and Vale – including how LAPFF understands these companies to be engaging with affected stakeholders.

In Progress: The last two reports will go to the first LAPFF Executive and

Business meetings in January 2022. The fourth report sets out examples of where LAPFF believes that the five companies mentioned have not met their human rights responsibilities. The fifth report contains a conclusion and recommendations for LAPFF members and other investors, for companies, and for public officials.

These five reports have also been consolidated into a single draft report that LAPFF has circulated for comment to the five companies addressed and to affected communities whose accounts have been included in the report. After comments have been received, they will be assessed and integrated as appropriate before the report is released publicly.

MINING



Vale's tailings dam in Brumadinho

MINING COMPANY ESG UPDATES

Objective: LAPFF engages with mining companies on all environmental, social, and governance (ESG) areas, not just human rights. Therefore, LAPFF participated in ESG updates from Vale, Rio Tinto and Anglo American, both to ensure it had updated information for the mining and human rights paper and to track updates on areas such as climate planning and health and safety.

Achieved: All companies covered climate and human rights as primary topics of discussion. Industry-wide, there continues to be work to align with the global standard on tailings dam safety and make mining safer and more sustainable generally. The companies also discussed their climate plans, particularly in anticipation of greater interest in the 'say on climate' votes, an initiative for which LAPFF has provided significant support.

LAPFF was particularly keen to hear Anglo American's discussion around the company's decision to divest from the Cerrejon joint venture. Both Anglo American and BHP have now indicated that they are withdrawing from this thermal coal project, leaving Glencore as the sole owner.

The withdrawal raises significant ques-

tions about how companies can best pull out of coal without leaving these assets in the hands of other companies or entities that might choose to continue operating the assets rather than winding them down. To this end, LAPFF also participated in a Climate Action 100+ (CA100+) collaborative call with Anglo American. The discussion covered the company's commitment to carbon neutrality in its operations and initiatives to reduce emissions through its value chain.

Vale continued to refer to cultural and operational changes stemming from its Brumadinho tailings dam collapse. However, the company representatives again failed to address the Mariana tailings dam collapse outside of Vale's relationship to the Renova Foundation, the joint venture between BHP and Vale established to undertake compensation and reparations in relation to Mariana, and a general reference to Samarco operations re-starting. It was explained that the company's upstream tailings dams will not be de-characterised until 2035 at the earliest, although company officials stressed that safety measures would be taken at these dams in the meantime.

In Progress: LAPFF is continuing to engage with mining companies on all aspects of their ESG work, in particular climate and human rights. There will

likely be focus on specific aspects of company operations, such as joint ventures, and on say on climate votes. Affected community engagements have also pointed to concerns about just transition considerations, so this area will also likely feature more prominently in LAPFF's work, especially because it was felt that the companies did not speak to this issue adequately.

BHP

Objective: Never having met BHP CEO, Mike Henry, LAPFF Chair Cllr Doug McMurdo wanted a meeting to discuss BHP's imminent unification process and the on-going human rights concerns related to the Samarco tailings dam collapse in Brazil and the joint venture Resolution Copper project with Rio Tinto in Arizona.

Achieved: LAPFF detected some progress in relation to BHP's approach to community engagement. Prior to BHP's 2021 AGM, LAPFF had not heard any company representatives refer to the need for free, prior and informed consent (FPIC) in relation to any of BHP's projects. However, BHP Chair, Ken Mackenzie, and Mr Henry have been clear since the October 2021 AGM that they expect FPIC to be met

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in relation to their Resolution Copper project before that project can proceed. LAPFF also shared its experience of engaging with Brazilian communities affected by the Samarco tailings dam collapse and found Mr Henry receptive to this feedback.

LAPFF also issued a voting alert opposing BHP's climate plan, which was put to a vote this year in line with the 'say on climate' initiative. While LAPFF was pleased to see BHP put its plan to a vote, LAPFF's view is that the plan had significant shortcomings. For example, there was a fear that the company could rely too heavily on unproven technologies such as carbon capture and storage (CCS) in the plan. The plan also appeared to contradict BHP's assertion that the company will benefit from a very quick transition to a green economy. The plan could have moved the company much further much more quickly but did not.

In Progress: LAPFF will continue to engage with BHP in relation to both Resolution Copper and Samarco. Cllr McMurdo also asked BHP if it would put annual say on climate resolutions to a vote. Although BHP has committed to say on climate votes every three years, LAPFF will continue to engage with BHP on its climate developments more frequently.

Renova Silent in Wake of Engagement Request

Objective: Communities in Brazil affected by the Mariana and Brumadinho tailings dam failures have long said that one of the big obstacles to obtaining appropriate reparations and compensation is the Renova Foundation. Renova is a foundation established by BHP, Vale, and Brazilian authorities solely to provide reparations and compensations to victims of the dam collapse at Mariana. Therefore, Cllr McMurdo has had a couple of meetings with Renova CEO, Andre de Freitas, to discuss this issue, and he sought another meeting.

Achieved: To date, Mr de Freitas has been very responsive and willing to discuss Renova's progress and challenges. However, there appear to have been only three houses built in the last year (up to 10 from seven houses) and Mr de Freitas has not yet responded to LAPFF's latest request to meet.

In Progress: Although many affected community members are keen for Renova to be disbanded and replaced with a more effective entity, LAPFF will continue to engage with the organisation to push for faster progress.

ArcelorMittal

Objective: To provide an updated assessment of ArcelorMittal's progress against the second iteration of the Climate Action 100+ benchmark and flag up areas that the company could improve in terms of metrics and disclosure.

Achieved: A formal letter was sent from LAPFF and other lead investors in the CA100+ initiative, setting out the approach to the 2022 and 2023 proxy season moving towards the 2023/24 reporting cycle deadline for target companies to have achieved alignment to the goals of the initiative. A reply from the chair, Lakshmi Mittal, confirmed that they are collaborating with the Science Based Target Initiative (SBTI) on a new Paris aligned methodology for the steel sector working towards a net-zero by 2050 target. The only indicator not met was a 2025 carbon emissions target, as much of the 2030 group target will be weighted towards the second half of the decade.

In Progress: A meeting in December sought for publication of a more granular report on lobbying with a trade association overview as well as information on the shareholder consultation for a transition plan to be put to the 2022 AGM.

BP

Objective: To discuss detailed aspects of the company's energy transition plan and if a 'Say on Climate' is planned for the 2022 AGM.

Achieved: Company representatives provided more background to the company's plan which includes a reduction of production of 40% over 10 years and a goal of 50GW of renewable generating capacity by 2050. BP already operates the UK's largest public network of EV charging points and plans to install more in existing petrol stations. The company has installed some of the first charging stations in India and is working with large fleets in China. On a 'say on climate'

resolution, this is being considered for 2022. It was noted they had achieved at least 'partial' scoring on all elements of the CA100+ benchmark.

In Progress: A further meeting with the LAPFF chair is planned for early 2022.

Standard Chartered

Objective: A meeting was held with Standard Chartered chair, José Viñals, to determine how the bank is progressing working with clients to reduce carbon emissions and align with the bank's net zero by 2050 policy. Member concerns had been relayed to the chair about the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows its activities to be aligned with an increase of 5-6°C in global warming.

Achieved: The company issued a road-map for its progress to net zero in October which included 2030 targets to reduce financed emissions for thermal coal mining and oil and gas power, as well as plans to mobilise US\$300 billion in green and transition finance by 2030. There was further engagement in November, which confirmed an absolute target for coal, and that no investments would support any project expanding capacity.

In Progress: We have remained in touch with NGO contacts who have considered filing a resolution to the 2022 AGM asking for commitments not yet evident in the company's current transition plans. The company confirmed it will put a Say on Climate/Transition plan to the vote at the 2022 AGM.

Lyondell Basell

Objective: As part of collaborative engagement with CA100+ investors, a meeting was held with company representatives to discuss analysis of progress against the second iteration of the CA100+ benchmark. The aim was to identify if any short-term actions were possible to improve the score and what further commitments could be provided.

Achieved: company representatives confirmed that any further updates would not be until the publication of the sustainability report in April 2022. In

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the first iteration of the benchmark, six indicators were not met and four were only 'partially' met. Encouragement was given for more disclosure in relation to lobbying activities.

In Progress: Topics of Paris Aligned accounting and audit disclosure and a related 'underpin' for remuneration were raised, with further discussions in 2022 proposed.

National Grid

Objective: Correspondence was sent on behalf of the CA100+ initiative with an updated assessment of progress against the second CA100+ benchmark. The letter identified short-term priority actions to improve the benchmark score and a commitment for fully aligned disclosure with the benchmark by the end of 2023.

Achieved: The company gave further detail of net zero alignment with International Energy Agency's (IEA) 2035 date for all relevant electricity emissions, noting the assumption of a zero-carbon power grid by 2035.

In Progress: A meeting in December covered disclosure on lobbying activities and further discussion on Paris Aligned accounting and audit disclosure.

Barratt Developments

Objective: The property sector is a major contributor to carbon emissions. A large chunk of these emissions come from buildings when in use but building materials and the building process itself generate greenhouse gas. As a result, the sector is facing higher environmental standards from government. It also means that housebuilding is a sector which LAPFF wants to continue to engage, especially the largest housebuilders such as Barratt Developments.

Achieved: Cllr Doug McMurdo secured a meeting with the chair of Barratt Developments. LAPFF gained assurances about plans Barratts are making towards achieving net zero for homes and for their operations. The engagement discussed how they were going to meet the government's future homes standard and work being undertaken with their supply chain. The discussion also covered



achieving the transition to net zero in a just way as well as the company's exposure to concerns around leasehold contracts.

In Progress: LAPFF will continue to engage with Barratts and other housebuilders to ensure targets they have set are being met.

Pharmaceutical Company Engagements

Objective: LAPFF wrote to five pharmaceutical companies for engagement meetings to discuss whether Covid has forced them to change their business models or business strategies. While the companies were generally receptive, only Roche came back to offer a meeting.

Achieved: In addition to meeting Roche, LAPFF was able to meet with Johnson & Johnson through a collaborative investor discussion. It is clear that the companies have treated Covid as a test of their existing business models and strategies. At this point, there appear to have been more operational changes, such as how staff work together online and determining the right balance of working from home and working from offices, than there have been business model or strategy changes. There might be further developments to consider in respect of business model and strategy before companies can decide whether they are well-placed with their existing structures or whether they need to make adjustments in the longer-term.

In Progress: LAPFF will write again in the new year to the companies that have not yet granted meetings. Timing is critical

as all of the companies are contributing in one way or another to the pandemic response, so company representatives might be more or less available depending on when Covid waves hit and when certain drugs are released in response.

Chipotle

Objective: LAPFF has been in dialogue with Chipotle since 2019 regarding the company's approach to water stewardship and managing the water stress within its value chain. When the dialogue was first initiated the company was committed to the shared objective of mitigating water related risks and committed to measuring water usage as well as any water sources significantly affected by water withdrawal moving forwards. As of 2021, Chipotle is yet to conduct a water risk assessment for its full value chain.

Achieved: In response to the lack of progress, LAPFF worked with the Greater Manchester Pension Fund to file a resolution to request that Chipotle provide an assessment to identify, in light of the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk and prepare for water supply uncertainties associated with climate change.

In Progress: LAPFF maintains dialogue with Chipotle and on this issue and will continue to work constructively with the company to ensure it is taking the necessary steps to manage water risk effectively.

COMPANY ENGAGEMENT

COLLABORATIVE ENGAGEMENTS COLLABORATIVE INVESTOR MEETINGS

Say on Climate

In October, the LAPFF chair, together with TCI Fund Management and Sarasin and Partners, wrote to the FTSE All-share to ask that boards set out their strategy to manage the transition to a net zero emissions business and to provide annual provision for shareholders to vote on such plans. The letter was not sent to investment trusts and those companies that had already made a commitment to an annual vote for shareholders.

As at end December, 64 responses had been received, from brief acknowledgements of receipt, to lengthy iterations of strategies for transition. A good number of companies noted it would be subject to discussion by the board, and other companies in engagement meetings have noted they will be reviewing the proposition.

The Asia Collaborative Engagement Platform for Energy Transition

Collaborative engagement, working with Asia Research and Engagement (ARE) and the Asia Transition Platform, has continued with some of Asia's largest listed financial institutions and buyers and producers of fossil fuels. During the quarter, LAPFF executive members Cllr Caron and Sian Kunert engaged with Sumitomo Mitsui Financial Group (SMFG) and Mizuho respectively. At Mizuho, bank representatives were asked for more details on sustainability experience and expertise of board members, as well as an insight into a time-line for the phase out of coal power financing. At SMFG, discussions also covered mechanisms to ensure sustainability experience on the Board as well as target setting and referencing the International Energy Agency Net Zero scenario.

Collaborative letters on Paris-aligned accounts

Following-up on correspondence with companies in November 2020, LAPFF has joined in further communications with

companies, led by Sarasin & Partners and in conjunction with other investors to share feedback on climate-related financial disclosures in the most recent set of company financial accounts. Correspondence aimed to encourage the companies to address outstanding concerns in audited accounts issued in 2022. Copies were also provided to the lead audit partner to emphasise the expectation that they alert shareholders where the accounts are not consistent with a 1.5°C outcome.

Powering Past Coal Alliance

As a partner to the Powering Past Coal Alliance, LAPFF supported a statement made on 4 November, which was the COP26 'Energy Day'. This statement, signed by countries, regions, corporates and investors supported the shared vision of accelerating a transition away from unabated coal power generation. It recognised the imperative to urgently scale-up the deployment of clean power to accelerate the energy transition as well as promoting the idea that this transition should be 'just and inclusive'.

Major investors demand ambitious methane regulations in the U.S.

Through its membership of CERES, LAPFF joined a group of international investors calling for action to cut methane emissions in the US. Methane is a potent greenhouse gas, twenty five times more powerful than carbon dioxide in its heating impact. More than half of global methane emissions stem from human activities in three sectors: fossil fuels (35 per cent of human-caused emissions) waste (20 per cent) and agriculture (40 per cent).

The Institutional Investors Group on Climate Change (IIGCC)

LAPFF continues to participate in regular calls with IIGCC and its investor members, receiving and providing updates on EU constituents of the CA100+ initiative. Results of the CA100+ benchmarking process are being discussed with companies with the review period culminating at the end of December. Sector meetings are helpful in providing

peer best practice examples as 'pointers' for other companies in the sector.

Investor Alliance on Human Rights

The Investor Alliance on Human Rights (IAHR) circulated an investor letter calling for the UK and the EU to implement mandatory human rights and environmental due diligence (mHREDD). It followed with another letter asking that stakeholder engagement be placed at the heart of this legislation. LAPFF signed onto both letters.

Conflict Minerals Investor Letter

Stewart Investors initiated a collaborative investor letter on conflict minerals in semi-conductor supply chains requesting that a number of companies improve labour and environmental standards through their supply chain practices. A total of 160 investors with collective assets under management of US\$6.59 trillion signed onto the letter. The letter went to 29 companies in the semi-conductor supply chain, and investors are waiting for a more complete set of responses before deciding if and how to take the engagement forward.

Investors for Opioid and Pharmaceutical Accountability (IOPA)

LAPFF has continued to support IOPA, which continually engages with US pharmaceutical companies and retail pharmacies, encouraging better levels of corporate governance. IOPA has been looking at its potential campaigns for 2022 and LAPFF will aim to engage and support where it can.

POLICY ENGAGEMENT

APPG Just Transition Inquiry

The LAPFF-supported All-Party Parliamentary Group (APPG) for local authority pension funds' report into a just transition was successfully launched this quarter. The APPG had undertaken an inquiry during 2021 examining the role investors can play, with the support of government, in ensuring the transition to net zero considers the social implications

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for employees, consumers, communities and supply chains. The APPG, chaired by Clive Betts MP, heard evidence from LAPFF members, investors, companies, trade unions and from the Climate Change Committee.

The inquiry found that just transition presented investors with financial risks. The consensus view from the inquiry was that if the transition to net zero is seen as unfair and unjust there would be public resistance and a lack of co-operation. As such, failing to consider the uneven impact of climate action on people and places risks support for decarbonising the economy. That in turn would create economy wide and company specific risks for investors.

The final report covered actions investors can take individually and collectively, including having a commitment on the issue in policy documents, understanding the risks and opportunities through quantitative metrics and qualitative evidence from affected stakeholders, importance of setting expectations and engaging companies on them, how capital allocation can help mitigate the risks and maximise the opportunities, and how funds can report impact. The report also set out what governments could do to support investors, such as having a clear and comprehensive just transition commitment, requiring greater company disclosure, identifying and supporting investment opportunities, and establishing a just transition commission.

The launch of the report included

presentations from the pensions minister, Guy Opperman MP, Rachel McEwen from SSE and LAPFF chair, Cllr Doug McMurdo. The report was well received gaining media coverage and with SSE publicly supporting the report. A copy of the report can be found on the LAPFF website.

City of London's Taskforce on Socio Economic Diversity

LAPFF Vice Chair, John Gray, was appointed to the Taskforce's Advisory Board this year and in this quarter, attended an in person event to discuss a number of issues that both the advisory board and working groups are looking to overcome. Questions of whether mandatory reporting by government or regulators were asked, and what role sector bodies can play. The role of membership bodies seeking to progress change in this area were discussed as well as what members of the taskforce believed would convince senior leadership to improve socio-economic diversity. LAPFF's work on diversity will continue in 2022 and will incorporate aspects of socio-economic diversity alongside other aspects.

COLLABORATIVE COMMUNITY MEETINGS

Brazilian community members

It has now been over six years since the Samarco tailings dam collapse in

Mariana, Brazil. LAPFF issued a press release on 5 November to remember the anniversary of the tragedy. As the anniversary fell during COP 26, the press release focused on the need for a just transition to a zero carbon economy. The press release followed a webinar with a representative of the affected communities and a meeting with the Brazilian prosecutor working on this case.

Subsequently, Cllr McMurdo met with four members of the affected Mariana communities to discuss their current situation. Unfortunately, little progress has been made in respect of either housing or other reparations. The community members continued to express despair about their respective situations and the slow progress being made by the Renova Foundation.

One representative of the Mariana communities and one representative from Brumadinho also presented at the LAPFF Conference. It was notable that both representatives were clear about not being anti-mining; the communities just want mining to be sustainable and respectful of their human rights. The need for a just transition by the mining industry was also raised during this conference session.

Arizona community members

Cllr McMurdo also met with Roger Featherstone (pictured below) of the Arizona Mining Reform Coalition. Roger has met consistently with LAPFF over the



ENGAGEMENT

last few years and has raised concerns not only about the cultural heritage impacts of the BHP-Rio Tinto Resolution Copper project but also about the water impacts. LAPFF heard again that there has been no real assessment of the projects impact on water resources by the companies, but the impact could be huge. Roger also raised the question of whether a new mine is needed to access the copper reserves in the area. He noted that BHP has shut down a number of mines in the area before the reserves had been depleted, and in particular the San Manuel mine.



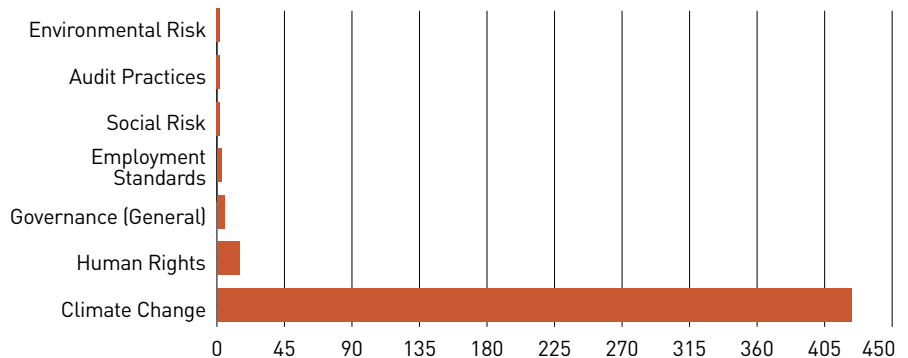
Resolution Copper: Water and Financial Materiality

On the back of the conversation with Roger Featherstone, LAPFF held a webinar with Roger and Henry C Munoz, a retired BHP miner in the area. Both Roger and Henry spoke about the anticipated impacts of Resolution Copper on the water and ecosystem of the surrounding areas. This webinar is available for viewing by LAPFF members on the member section of the LAPFF website.

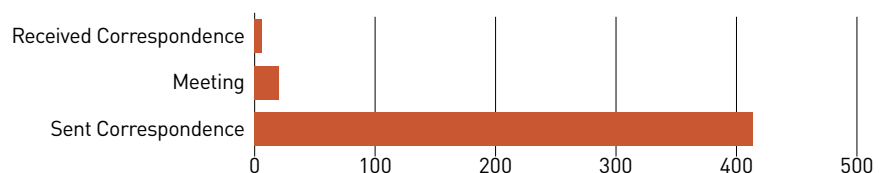
ENGAGEMENT DATA

During the quarter, there was correspondence with the FTSE all-share (excluding investment trusts) pressing for an annual 'Say on Climate' vote

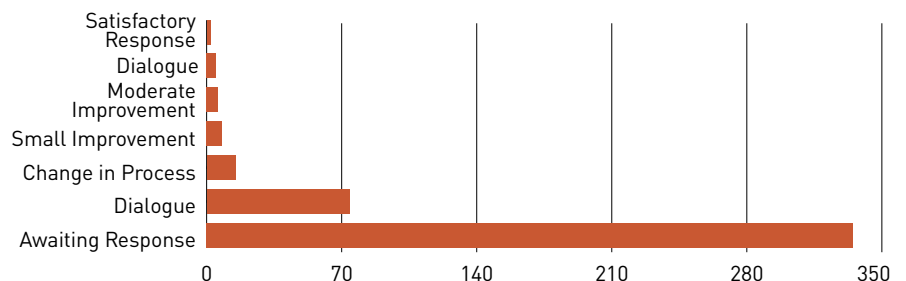
ENGAGEMENT TOPICS



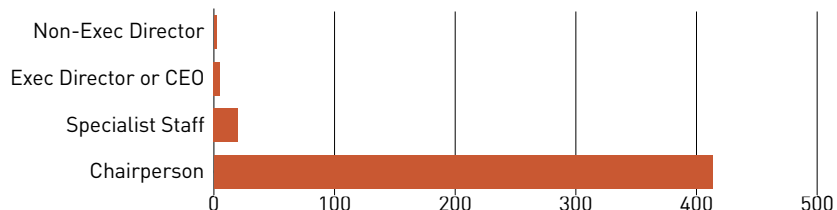
ACTIVITY



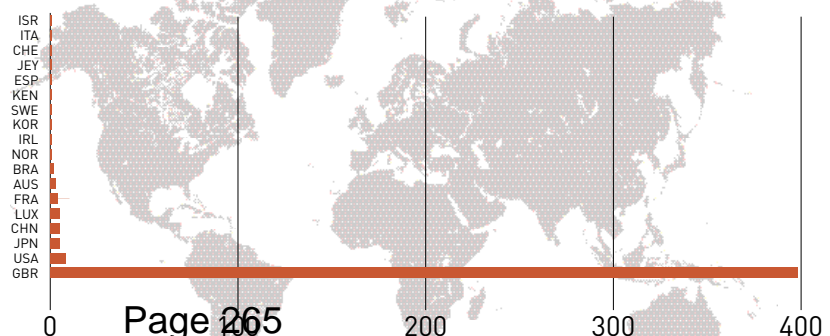
MEETING ENGAGEMENT OUTCOMES



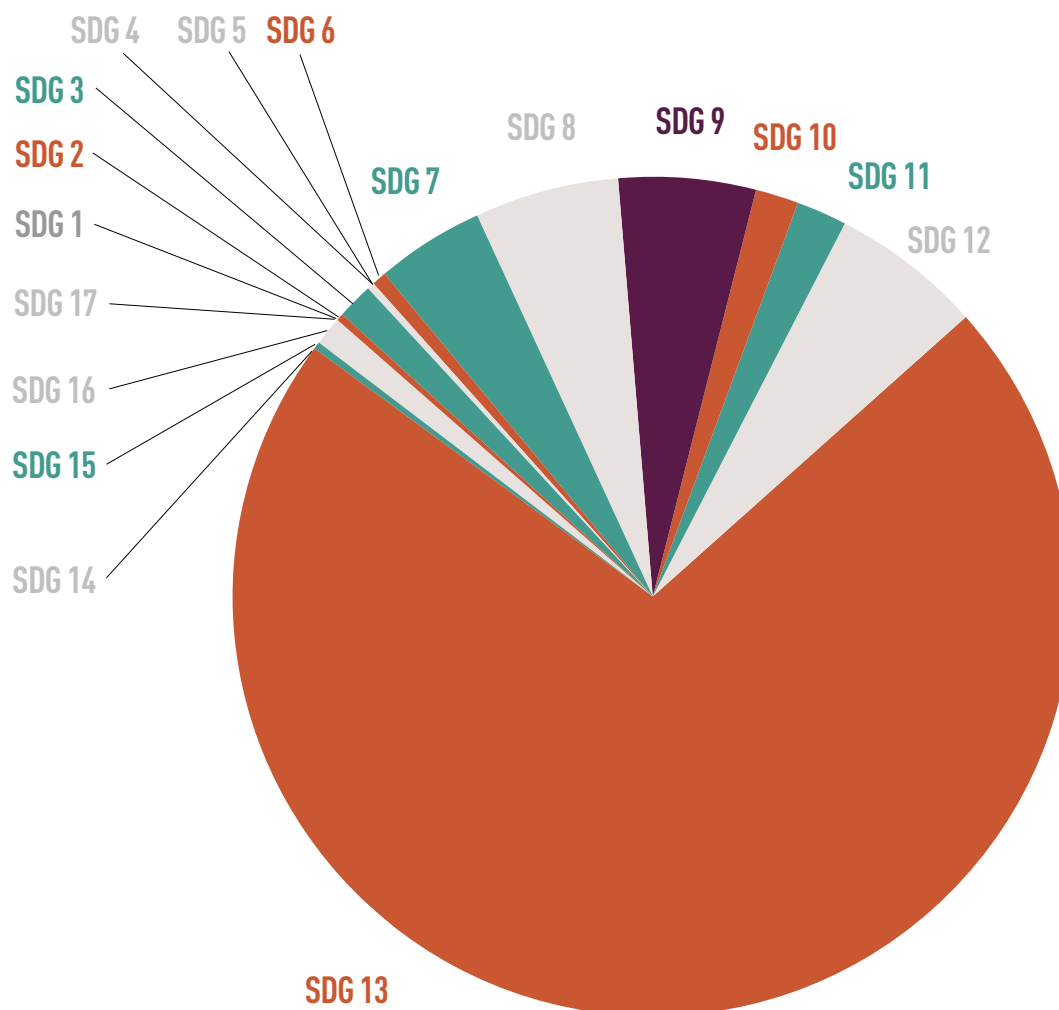
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	9
SDG 4: Quality Education	2
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	26
SDG 8: Decent Work and Economic Growth	33
SDG 9: Industry, Innovation, and Infrastructure	31
SDG 10: Reduced Inequalities	10
SDG 11: Sustainable Cities and Communities	12
SDG 12: Responsible Production and Consumption	34
SDG 13: Climate Action	425
SDG 14: Life Below Water	0
SDG 15: Life on Land	2
SDG 16: Peace, Justice, and Strong Institutions	6
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

MEDIA COVERAGE

CLIMATE

European pension players turn to Asia to drive climate 'breakthroughs'

<https://www.ipe.com/news/european-pension-players-turn-to-asia-to-drive-climate-breakthroughs/10055439.article>

Allow a vote on your climate plan, local govt pensions tell UK companies

<https://www.reuters.com/business/environment/allow-vote-your-climate-plan-local-govt-pensions-tell-uk-companies-2021-10-07/>

<https://timesofindia.indiatimes.com/world/uk/allow-a-vote-on-your-climate-plan-local-govt-pensions-tell-uk-companies/articleshow/86838700.cms>

<https://www.todayonline.com/world/allow-vote-your-climate-plan-local-govt-pensions-tell-uk-companies>

London CIV launches passive equity Paris-aligned fund

<https://www.pensions-expert.com/Investment/London-CIV-launches-passive-equity-Paris-aligned-fund>

<https://www.room151.co.uk/blogs/lgps-cop26-the-expected-the-needed-and-the-opportunities/>

BHP VOTE

BHP faces knife-edge vote on climate change plan

<https://www.ft.com/content/c7c1c225-9178-4fd5-8db1-4a86450d8f3d>

Mood lukewarm on BHP climate change plan ahead of AGM

<https://www.nasdaq.com/articles/mood-lukewarm-on-bhp-climate-change-plan-ahead-of-agm-2021-10-14>

BHP's London investors endorse climate change plan

<https://www.reuters.com/business/environment/mood-lukewarm-bhp-climate-change-plan-ahead-agm-2021-10-14/>

BHP gets Australian shareholder support for climate plan

<https://www.reuters.com/article/bhp-group-au-agm-idCNL1N2S20EQ>

JUST TRANSITION

MPs urge pension schemes to cushion economic effects of UK's net zero plan

<https://www.theguardian.com/environment/2021/oct/20/mps-urge-pension-schemes-cushion-economic-effects-uk-net-zero-plan>

LGPS must consider net-zero impact to avoid social downturn, MPs say

<https://www.pensions-expert.com/Investment/LGPS-must-consider-net-zero-impact-to-avoid-social-downturn-MPs-say?ct=true>

ISRAEL-PALESTINE

LGPS urged to divest from 'Israeli settlement economy'

<https://www.pensions-expert.com/DB-Derisking/LGPS-urged-to-divest-from-Israeli-settlement-economy>

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Bromley Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund

East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund

Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund

Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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MINUTES OF THE PENSION BOARD

Held as an online meeting on Thursday 02 November 2021 at 6.00 pm

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

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

1. Apologies for absence

None.

2. Declarations of interests

None.

3. Minutes of the previous meeting – 22 July 2021

The minutes of the previous meeting held on Thursday 22nd July 2021 were agreed as an accurate record.

4. Matters arising

None.

5. Pensions Administration Update

Sawan Shah (Brent Council - Senior Finance Analyst) introduced the report updating the Pension Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

In considering the report, the Board noted:

- That an update was to be provided on Project Pace, which was going live next year.
- Summarising the pensions administration performance report, it was updated that it reviewed the period between April and June 2021.
- It was noted that wait times for phone lines were below target in April and May, largely due to dealing with increased retirement and bereavement cases.
- The number of complaints remained low, with a total of six complaints received during the quarter.
- In terms of the fund's data quality, this has been continually improving and in a much better state than a year ago.
- In relation to the Annual Benefits Statement, it was noted that these had been issued to all members by 31st August 2021. A small number of cases

had not been resolved due to ongoing queries, though all would be provided with an Annual Benefits Statement.

- It was updated that the Fund had commissioned two data cleanse projects; one of which was around outstanding leaver cases, with the project at the stage where 300 cases remained of the 1,400. The main aim was to ensure that all cases had been cleared by 31 March 2022.
- The second project regarded GMP reconciliation, with progress being made in regards to this.

John Crowhurst (Operations Director, Local Pensions Partnership Administration (“LPPA”)) then provided the Board with a presentation outlining key business and performance updates within the LPPA Quarterly 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 for Quarter 1, with additional information from Quarter 2 which had not been published with the agenda pack. It was noted that the amount of leavers within the data cleanse project dealt with were for the period up until March 2020. It was noted that as of September 2021, the number of leavers across the fund stood at 695, of which 300 would be cleared as part of the data cleanse project. The employer engagement team, who support Brent employers within the fund, had not raised any queries regarding this process.

In relation to the performance processes throughout the period, it was noted that whilst retirements appeared at 92%, this was due to a delay in processing from the quality and checking team, and there would not be a further delay in sending vouchers across to the Brent payroll scheme. This issue was the same with bereavement cases. These cases were not members or beneficiaries of the scheme, but issues such as tax being paid where there was not a beneficiary waiting to be paid. Moving on to help desk performance, it was noted that the help desk was out of service for the first few months of 2021, largely due to an increase in bereavement calls, which rose by 37%. Bereavement calls were prioritised by the help desk, resulting in a longer wait time for other queries.

Moving on to Members who had registered accounts on MyPension Online, it was noted that there had been an increase throughout Quarters 1 and 2 from Members who had registered for this. It was highlighted that the data score for the Pension Fund would be in excess of 90%, which was a significant improvement.

Members were then invited to ask questions on the report, which are summarised below:

- It was asked whether there were any particular reasons for a dip in the common data for Members of the Fund, to which it was answered that there was work underway to conduct a bulk exercise to gather data, and that if Members were approaching retirement they would be proactively contacted regarding retirement options.
- It was asked why there was an increase in refunds outstanding cases, to which it was clarified that the Board could be updated on this once the cause was established.

- In terms of employers submitting year end returns late, it was asked if anything could be done to improve this rate; it was answered that engagement with employers was vital, and that the three way communication between Council Officers, the LPP and employers had to work effectively. It was also noted that schools within the fund had been particularly challenged due to Covid-19 in the last two years. In addition, it was noted that late returns were perhaps due to a lack of engagement with employers during the Covid-19 pandemic, including training around their statutory and legal obligations. It was also highlighted that the LPP had an engagement officer dedicated to supporting Brent employers within the Fund, and the learning from the last few years was that targeted engagement campaigns were crucial in establishing compliance. Members were asked to note that Brent Officers had been invited to be part of a pilot scheme to increase support to employers from the Fund, with a view to having a quicker processing of Annual Benefit Statements in the next calendar year.
- It was asked what penalties and charges on employers entailed, to which it was clarified that as per the expectations of the Pensions Regulator, where an employer did not complete actions within a certain timeframe, the Council had the power to charge them. This charge was generally used as a last resort option, where relevant training had first been offered.
- It was asked if the Fund worked with Brent schools improvements teams when compiling information from schools and academies, to which it was answered that this work takes place, but that generally the issue lay with outsourced payroll teams at schools or academies, rather than staff or officers at the school.
- In relation to the data cleanse project, it was asked whether the only remaining cases were those which had been difficult to clear, to which it was answered that the remaining cases were indeed more complex, and that the Fund was working closely with employers to close the remaining cases, to ensure that the Fund was starting from a good position next year.

An update was then received regarding Project Pace. It was updated that a procurement exercise was undertaken to appoint a new system supplier, through which Civica were appointed as the new system supplier for the Fund. This entailed changing core operating systems which helped the business to run and was a large strategic project. The implementation stage of the project was approaching, with Brent going live in the second phase of the project, which was in September and October of 2022. Members were also updated that data migration was a key part of this process, as a result there would be four data cuts before the 'go live' date to ensure that data was migrated effectively. In terms of business readiness, it was noted that there would be changes for all stakeholders, and it meant that LPP would be working across two systems temporarily. Currently, the Board were updated that additional resilience may be required in order to compensate against this. In order to make the transition seamless, it was noted that employers and payroll providers would receive training on the new system.

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.

6. **LGPS Update**

Rubia Jalil (Brent Council - Senior Finance Analyst) presented an update to the Pension Board on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

In considering the report, the Board noted:

- The update issued by the Pensions Regulator in relation to its automatic enrolment guidance.
- The update and advice which had been provided for administering authorities by the Local Government Association (LGA) in September 2021 regarding death grant distribution and the information that would need to be provided to those in receipt or whose rights or liabilities were affected by a decision relating to the payment of grant, as detailed within section 3.2 – 3.7 of the report.
- The update provided in relation to further discussions between the LGPS Scheme Advisory Board and Government regarding the remedy and cost management process arising from the impact of the McCloud case.
- In relation to exit payments, the Board were updated that MHCLG had published a summary of exit payments in July 2021 covering 2019/20 and 2020/21. The results had shown the average exit payment across Local Authorities in 2021 s £26k. The Board also noted proposals currently being consulted upon to increase the minimum pension age from 55 to 57, which would take effect from 2028. This would not include those who were retiring due to ill health, as well as workers in the police, fire service and armed forces.

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

- In response to a request for further details about what had prompted the LGA to seek advice regarding death grant payments members were advised this would need to be shared once clarified.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the report and recent developments in the LGPS.

7. **Risk Register**

Sawan Shah (Brent Council - Senior Finance Analyst) presented a report updating the Board on the Risk Register for the Brent Pension Fund Pensions Administration Service.

In considering the report, the Board noted that whilst several minor adjustments had been made to the Risk Register since the previous update to ensure accuracy there were no major changes in terms of new risks or changes in classifications to report.

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

- In terms of the move to the new pension administration system clarification was sought on how the issue raised earlier in the meeting relating to data migration had been captured as a risk. In response confirmation was provided that the transfer of the LPP pension administration system had been included within the risk register which included a number of broad risks including the transfer of scheme. In response to the issue highlighted, Members were advised that more specific reference to the data migration process could also be included within the main risk category index.
- In terms of the inclusion of risks related to cyber security, the Board was advised that this had also been included within the risk register with the highest risk score allocated given the potential impact of any data breach or attack. The Fund was operating under the Council's cyber security strategy which (along with LPPs policy) would be subject to review by the Council's Internal Audit function and which it was noted would be subject to further revision and update towards the end of the year/start of 2022 which had been designed to improve security metrics and prevent cyber-attacks.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the report and Risk Register as set out in Appendix 1 of the report.

8. **London Borough of Brent Pension Fund- Q2 2021 Investment Monitoring Report**

The Board received the Brent Pension Fund Q2 2021 Investment Monitoring Report. It was reported that the monitoring report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the key issues as set out in the report.

Members welcomed the report along with the increase in the value of the Fund and with no further issues raised it was **RESOLVED** to note the investment monitoring report for Quarter 2 (2021)

9. **Brent Pension Fund- Annual Report and Accounts 2020/21**

The Board received the Brent Pension Fund Annual Report and Accounts 2020/21. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the current position and progress made in finalising the Brent Pension Fund Accounts 2020/21 along with the audit findings as set out in the report.

The Board noted that since publication of report the Pension Fund Accounts had been finalised with an unqualified opinion issued by Grant Thornton, as external auditor. The Chair supported by the Board took the opportunity to thank the Finance Team and Grant Thornton for their efforts in completing the Accounts and audit process within deadline, which Brent had been one of the first local authorities to achieve.

Members welcomed the report and with no further issues raised, it was **RESOLVED**

to note the report.

10. **Property Allocation Report**

The Board received the report providing an overview of the Fund's strategic allocation to property, an introduction to the UK property market and summary of a potential property funds in terms of investment opportunities and option. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who in considering the approach and assessment of potential investment opportunities identified by the Funds Investment Advisors (Hymans Robertson) (as set out within the exempt appendix to the report) had approved the proposed investment strategy set out in the report.

In response to the update provided the following comments and issues were raised by Board Members:

- Details were sought on the overall level of Fund's investment performance and how this compared against the performance of other comparable Funds. In response the Board were advised an overview would be provided within the Fund's Annual Report however it was noted that performance had improved the value of the Fund having increased against the benchmark which had been set and strong rates of return continuing to be delivered. Whilst the performance on some investments remained below target these were in the process of being scaled back with the aim to scale up the proportion of investment held with other providers such as the London CIV and strategic property investments.
- Whilst noting the current lack of property investment options available through the London CIV, the Board were advised this route remained the Funds preferred approach. Given the London CIV pool had not (to date) made property funds available and with no current plans to do so, alternative investment options had therefore needed to be explored. The initial approach identified by Hymans Robertson had therefore been detailed in the report starting with a 3% allocation (approx. £30m in value) which could then be topped up in future years. It was felt this would allow the Fund time to assess performance and allocate future funds to the best opportunities in the property market as they became available.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the overall approach and investment option which had been agreed by the Brent Pension Fund Sub Committee.

11. **Net Zero Transition Roadmap**

The Board received a report which presented 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. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the Net Zero Transition Roadmap prepared by the Funds Investment Advisors (Hymans Robertson) and had been attached (as an exempt part of the report) at Appendix A. The Framework set out a series of proposed steps for the Fund to consider over the short, medium and longer term in the context of setting and achieving net zero with the Sub Committee having noted the

importance in being able to evolve the Fund's investment strategy in order to take account of the opportunities and risks presented by climate change, in relation to its responsible investment approach and progress made to date.

In considering the report the Board noted the five key areas priority areas within the Framework to drive forward the strategy, which were identified as education, understanding the baseline, evaluating alignment and setting targets, planning and implementation actions and monitoring and ongoing reporting along with the short and medium term roadmap for each key area and potential targets (both long term and interim) and outline/assessment provided of potential equity funds. In terms of current asset allocation, the Fund was already in the process of making an initial 3% investment from cash to BlackRock's Low Carbon Fund which had been agreed as part of the previous year's core equality allocation. This had been seen by the Sub Committee as a positive initial step towards the responsible investment strategy with the intention on increasing the proportion of equity holdings in ESG mandates over time. As part of this approach and in line with the Funds net zero aspirations a growth structure review had been planned for 2022 aimed at reviewing and potentially restructuring the Fund's developed market equity holdings in line with the agreed net zero targets. Ahead of the formal review, however, the Sub Committee (as part of the overall Framework being developed) had approved a further increase of 3% (as recommended) in the allocation to the BlackRock Low Carbon Fund.

Members welcomed the report and approach outlined in terms of the Roadmap and with no further issues raised, it was **RESOLVED** to note the report and investment strategy agreed by the Brent Pension Fund Sub Committee.

12. **Any other urgent business**

No items of urgent business were raised.

13. **Date of next meeting**

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

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

14. **Exclusion of Press and Public**

At this stage in proceedings the Board **RESOLVED** that the press and public will be excluded from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely:

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

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

Councillor Crane also advised he would need to leave at this stage of the meeting.

15. **Employer Risk and Admission Agreements**

The Board received a report which provided an update on employer risk to the Brent Pension Fund along with the current position on admission agreements. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the detailed approach towards the management and mitigation of employer risk and efforts being made to address risks and issues identified in relation to specific employers on a case by case basis. In addition the Sub Committee had noted the background and update provided in relation to admission agreements along with the summary of current outstanding agreements and terminations relating to the Fund, as detailed in Appendix 1 of the report and action being taken to resolve and progress those outstanding to completion.

Members welcomed the report and with no additional risks having been highlighted it was **RESOLVED** to note the report.

16. **London CIV Update**

The Board received the latest update report from the London CIV (LCIV). The update included the LCIV investment review for the period ending 30 June 2021 (as detailed within Appendix 1 of the report) which provided an investment summary with valuation and performance data for Brent's ACS holdings along with a market and LCIV activities update. Also included (as detailed within Appendix 2 of the report) was the LCIV quarterly investment review for Private Markets for the period ending 31 March 2021, which included Brent's investments in the LCIV infrastructure fund along with valuation and performance data for the underlying portfolio investments and an update on pipeline investments.

The Sub Committee noted the LCIV net target emissions target with the commitment to achieve net zero by 2040.

With no issues raised in relation to the update provided, the Board **RESOLVED** to note the investment update provided by London CIV.

The meeting closed at 7.30 pm

MR. D EWART
Independent Chair

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of the Local Government Act 1972.

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