Public Document Pack

Pension Board

Thursday 22 July 2021 at 6.00 pm

This will be held as an online virtual meeting

The link to be able to view the meeting live is available: HERE

Membership:

Members	**Representing**
David Ewart	Independent Chair
Councillor Members	
Councillor Crane	Brent Employer representative
Councillor Kabir	Brent Employer representative
Co-opted Members	
Bola George	Member representative (Unison)
Chris Bala	Pension Scheme Members Representative
Robert Wheeler	GMB Trade Union

For further information contact: Andrew Phillips, Governance Officer
Email:Andrew.Phillips@brent.gov.uk; 020 8937 4219

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:
www.brent.gov.uk/committees

The press and public are welcome to attend the open part of this meeting as on online virtual meeting. The link to attend and view proceedings is available: HERE

Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

****Personal Interests:**

The business relates to or affects:

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

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

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

or

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

- You yourself;

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

Agenda

Introductions, if appropriate.

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

- Tuesday 2 November 2021 at 6pm
- Monday 24 March 2022 at 6pm

17 Exclusion of 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)"

18 Deferred Debt Arrangement 375 - 380

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

19 London CIV Investment Update 381 - 538

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

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

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

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

1. **Apologies for absence**

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

2. **Declarations of interests**

None declared.

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

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

4. **Matters arising**

None.

5. **Pensions Administration Update**

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

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

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

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

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

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

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

That the pensions administration updates be noted.

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

Mr Sawan Shah (Senior Finance Analyst) introduced the report that detailed the training strategy of the Brent Pension Fund ("the Fund"). The strategy, developed by Hymans Robertson would address the complexity and the need for a policy on training. He explained that the strategy set out measures to aid the Pension Fund Sub-Committee, Pension Board and Officers in gaining an understanding of their respective responsibilities in order to effectively fulfil their respective roles. It would be effective from 23rd March 2021 with topics to be covered from June/July onwards and reviewed every 2 years, and if necessary, more frequently to ensure accuracy and relevance.

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

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

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

7. **LGPS Update**

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

Exit Cap payments.

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

Lifetime Allowance (LTA)

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

Good Governance

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

Minimum age

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

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

That the LGPS updates be noted.

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

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

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

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

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

9. **Brent Risk Management Strategy Register**

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

Exit Pay Reform – (item 9.3)

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

Cyber Security

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

System Transfer (item 4.3)

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

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

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

That the Brent risk management strategy be noted.

10. **London CIV Update**

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

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

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

11. **H2 2020 Investment Monitoring Report**

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

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

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

12. **Investment update**

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

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

That the investment update report be noted

13. **LAPFF Engagement Report**

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

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

That the LAPFF engagement report be noted.

14. **Date of next meeting**

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

15. **Any other urgent business**

Mr. Joe Kwateng.

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

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

16. **Exclusion of Press and Public**

That the press and public will be excluded from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely:

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

17. **London CIV Investment Review**

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

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

That the London CIV investment review report be noted.

The meeting closed at 7.12 pm

MR. D EWART
Independent Chair

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Brent	**Pensions Board** 22 July 2021
	Report from the Independent Chair of the Pension Board

Annual Report for 2020/21

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	David Ewart, Independent Chair of the Pension Board

1.0 Purpose of the Report

1.1 This is the Chair's Annual Report to the Board for 2020/21. It provides a summary of the work carried out by the Council's Pension Board during the 2020/21 municipal year.

2.0 Recommendations

2.1 That the Board note the contents of the report.

3.0 Detail

Board's Work during 2020/21

3.1 To begin, I would like to reflect on the size of the Brent Pension Fund and Scheme which held investments of £1,032m as at 31st March 2021, had 41 employer organisations with active members within the Fund and had 22,718 members, made up of 6,385 active members, 9,473 deferred members and 6,860 pensioner and dependant members.

3.2 The Board met three times during the year, in each case virtually, despite not being able to meet in person, and having the first meeting of the year being delayed from 25th March to 5th August, the Board continued with its work and considered a large number of matters.

3.3 The first virtual meeting on 5th August considered the following:

a. The 2019 Triennial Valuation and Funding Strategy;
b. The Chairs Annual Report 2019/20;
c. Pension Fund Administration Update;
d. The Local Pensions Partnership (LPP) Scheme Update, and received presentations from LPP representatives on:
   i. Their Business Update;
   ii. Complaints data 2019/20;
   iii. A COVID Impact Analysis.
e. An LGPS Update including updates on:
   i. Consultation on the McCloud Judgment;
   ii. The Public Sector Exit Payment Cap; and
   iii. The LGPC Bulletins.
f. Brent Risk Register.
g. Items considered by the Sub Committee, including:
   i. The Investment Management Update Report for Q1 2020;
   ii. Low Carbon Equity Investment;
   iii. The Investment Strategy Transition Roadmap;
   iv. The draft 2019/20 Statement of Accounts;
   v. An update on the London CIV (a confidential item).

3.4 The second meeting of the year on 3rd November considered the following:

h. Pensions Fund Administration update, including:
   i. Brent Breaches Policy;
   ii. Reform of local government exit pay.
i. Actuarial update: COVID-19 and regulatory changes.
j. Brent Risk Register.
k. Items considered by the Sub Committee, including:
   i. The Investment Management Update Report for Q2 2020;
   ii. The Investment Strategy Transition Roadmap;
   iii. Competitions Market Authority (CMA) Objectives;
   iv. Brent Pension Fund – Annual Report and Accounts 2019-20; and

v. An update on the London CIV (a confidential item).

3.5 The third and final meeting on 23rd March 2021 considered a slightly large agenda, which was as follows:

l. Pension Fund Administration update, including:
   i. Brent's Q3 Pensions Fund Performance Report; and
   ii. LLP Risk and Compliance Report (March 2021).
m. The Pension Board and Committee Training Strategy;
n. An LGPS Update including updates on:
   i. The Public Sector Exit Payment Cap, including the HM Treasury Directive;
   ii. The Good Governance Final Report; and
   iii. The LGPC Bulletins.
o. Brent Pension Board's Terms of Reference and Conflict of Interest Policy
p. Brent Risk Management Strategy and Register.
q. Items from the Sub Committee:
   i. London CIV update including LCIV's Responsible Investment Update;
   ii. The Investment Monitoring Report to 31st December;
   iii. An investment Update including the Strategy transition roadmap; and
   iv. LAPFF Engagement Report
   v. An update on the London CIV (a confidential item)

3.6 In summary, the board continues to receive high quality reports and regular updates on all matters with regards to pension's administration and governance, in order to fulfil its role in assisting the scheme manager in ensuring that the scheme complies with all relevant legislation, policies and guidance. In particular:

- The LPP have been invited to attend meetings regularly to discuss their performance, improvements to the member experience, progress in increasing the quality of data and other relevant items such as complaints, operational controls, risk and compliance oversight. Regarding the quality of data, it should be noted that as a result of the additional investment in data cleansing, both common and conditional data scores have improved considerably since the contract was let in 2018. The focus for 2021/22 will be to ensure the board receives assurances that the transition to a new IT system is properly managed.

- The Board was pleased to note at its November meeting, that for active and deferred members, an ABS was issued to all members identified on year end returns from employers by the deadline of 31 August 2020. There were only a small number of records where queries from year end returns had not been resolved in time for members to receive an ABS. The board noted these outstanding queries are being monitored by LPP and as soon as the queries are resolved an ABS will be issued.

- The Board has continued to receive an updated, detailed and tailored risk register at each of its meetings supplied together with a risk strategy. The Board is particularly grateful for this, as effective risk management is a key foundation for sound corporate governance of the Scheme.

- The Board continues to receive updates on elements of Pension Administration Strategy when appropriate, including:
    - Conflict of interest policy;
    - Terms of reference;
    - Brent's breaches policy;
    - The statutory guidance on annual benefits statements;
    - The Data Cleanse project;
    - The Record Keeping Plan.

3.7 Although, 2020/21 has, in general, been a terrible year and one which has put considerable strain on Brent and Local Pensions Partnership officers. Nevertheless, it has been in other ways a very encouraging year. Both in the superb way the Council officers and partners responded to the pandemic, keeping all the key pension services functioning, and the continuing improvement in the level of service being provided and quality of the data being maintained on the funds membership.

3.8 I should like to end by thanking the other members of the Board for their continued support during the year and understanding with respect to challenging nature of virtual meetings. I would also like to express my sincere thanks to the Council officers, particularly those from Finance and Democratic Services for their excellent support during a very difficult year.

4.0 Financial Implications

4.1 There are no financial implications arising out of this report.

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 There are no equality implications arising out of this report.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources/Property Implications (if appropriate)

8.1 Not applicable.

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Brent	**Pension Board** 22 July 2021
	Report from the Director of Finance

Pensions Administration Update

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two Appendix 1: Annual 20-21 Performance Report Appendix 2: LGPS Active Member Newsletter 2021
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.,uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Saagar Raithatha, Finance Analyst 020 8937 2817 Saagar.Raithatha@brent.gov.uk

1.0 Purpose of the Report

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

2.0 Recommendation(s)

2.1 The board is recommended to note the overall report.

3.0 Pensions Administration Performance Report

3.1 The administration of the Brent Pension scheme was transferred to LPP on 1 October 2018. This report reviews the performance of the LPP contract against agreed Service Level Agreements (SLA's) during January to March 2021.

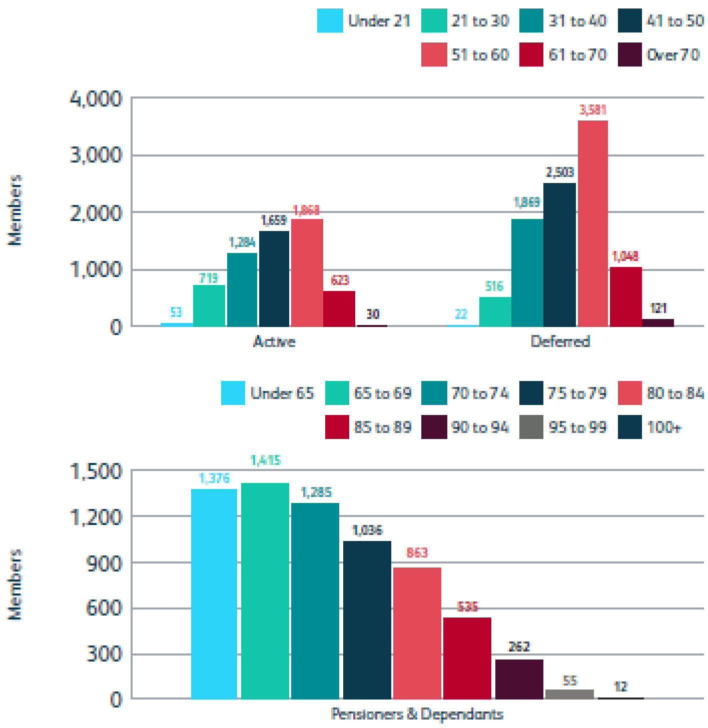
3.2 The Pensions administration team hold monthly meetings with LPP to monitor the performance of the contract looking at both the individual month and trends across months. Full details on the Q4 Annual 20-21 performance report are set out in Appendix 1.

3.3 As of 31 March 2021, the Brent Pension Fund had 22,735 members, which was made up of:

- 6,236 active members
- 6,839 pensioners (including dependants)
- 9,660 deferred beneficiaries.

3.4 Figure 1 shows the current age demographic of the Brent Pension Fund members. This is broken down between active, deferred and pensioner members.

Figure 1:



3.5 The percentage of cases processed on time has remained high with a quarterly average of 98.28%. The annual SLA performance was 99.2% which was above the target of 98%.

3.6 Figure 2, provides detail on the number of cases that have been processed grouped by category. At the start of the year in April 2021, cases brought forward totalled 2,058 and 1,259 outstanding were cases at the end of March 2021. All categories have seen significant decreases in outstanding cases, notably in the death and retirement categories.

Figure 2:

	Brought Forward at 01/04/20	Completed	Received	Outstanding as of 31/03/21
New Starters	9	1,080	1,100	29
Transfer In	196	387	336	145
Transfer Out	90	393	382	79
Estimate - Individual	31	411	398	18
Deferred Benefits	325	1,663	1,459	121
Deaths	358	792	802	368
Retirements (Immediate)	33	139	197	91
Retirements (Deferred)	333	637	448	144
Refunds	109	623	556	42
Estimates - Employer	13	463	459	9
Correspondence	109	1,528	1,450	31
Aggregation	103	308	251	46
Other *(see Definitions – page 3)*	349	1,284	1,071	136
TOTALS	2,058	9,708	8,909	1,259

3.7 Helpdesk call performance measures the average wait time and calls answered. The Fund had a significant increase in its wait times with performance of 4 minutes 22 seconds in January, 9 minute 43 seconds in February and 11 minutes in March, all of which were above the target time of 4 minutes. The wait times in February and March are largely due to a significant increase in bereavement and retirement cases, resulting in higher volumes of calls and emails received. As a result, LPPA recruited additional staff to its team in order to provide support across all functions. The fund will be working with LPP to understand further details behind the delayed timings with a view to restoring performance over the next quarter. The average calls answered should be 90%. Over the last quarter, 95.7% of calls were answered in January, 89.9% in February and 88.7% in March.

3.8 Service improvements delivered involved employer training to clear outstanding year end queries and the launch of the transfer satisfaction survey.

3.9 Scheduled updates in the coming months include issuing of the launch of a member video guide and implementation of educational training videos held on the LPPA website.

3.10 Since the last Pension Board, 12 new complaint cases have been received. This included 3 new complaints in January, 1 new complaint in February and 8 new complaints in March. Out of the 12 cases, 3 related to delays, 7 related to general service and 1 related to payments made. Brent and LPP are taking action to ensure that these cases are resolved swiftly. However the complex nature of some cases means that this is not always possible. In addition, following the completion of each case, a process is undertaken to ensure any lessons learned are reviewed and consequently, if necessary, processes and procedures will be updated.

3.11 The Pension Regulator (TPR) acknowledges that complete, accurate scheme records are a vital part of the administrative function. The Regulator defines two types of data held in scheme records:

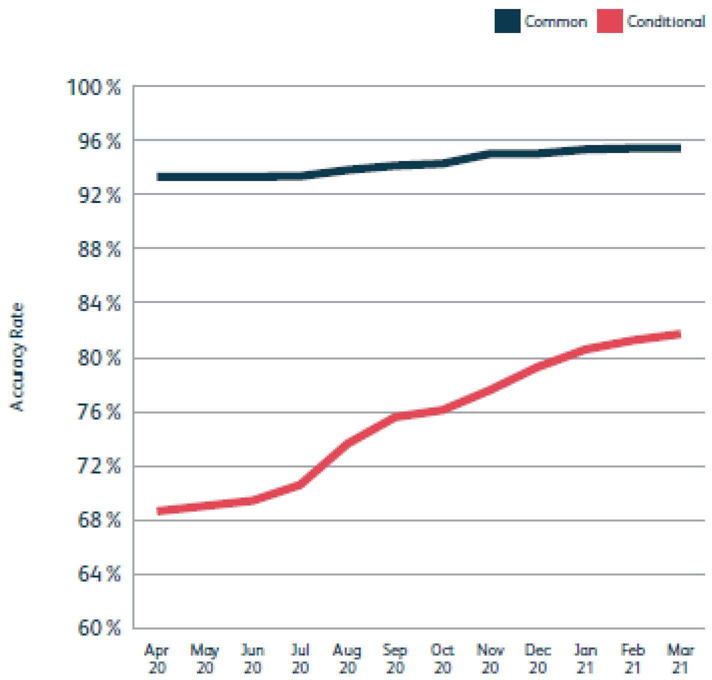
Common Data used to identify scheme members and would include names, addresses, national insurance number and date of birth.

Conditional Data essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history.

It also encompasses data relating to events that occur during an individual's membership, for example transfers, purchase of additional pension and pension sharing orders. Both types are data that are equally important, but are defined separately for the purposes of measurement and relationship to obligations under the Data Protection Act.

Figures 3 below displays the TPR scores achieved in regards to the accuracy of common and conditional data. As at March 2021, Common data has a total accuracy rate of 95.4% while conditional data has a total accuracy rate of 81.7%, a marked improvement from the previous quarter.

Figure 3:



3.12 The Active Members newsletter will be sent to members during the week commencing 19th July and is attached to this report in Appendix 2. This edition provides key updates on topical issues including contribution rates for 2021/22, how a member can increase their pension, the impact of Covid-19 on members' pensions and how to avoid pension scams. The newsletter will be available through the online portal, My Pension Online, and a direct link will be provided to members who are not registered for the portal.

4.0 Annual Benefit Statements

4.1 It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year.

4.2 Scheme employers are required to submit an end of year return in order to be able to produce an ABS. Following submission of the return, employers may be required to respond to queries to clarify any data on the return before an ABS can be produced. It is therefore important that end of year returns are received promptly. Therefore, delays in submission of returns can lead to a risk that the ABS are not issued by the deadline.

4.3 Overall, the majority of employers have met the 30th April deadline to provide the end of year return. However, at the time of dispatch of this report, 7 employers, which represent 4% of members in the Fund, had not submitted their end of year return. The Fund and LPP are closely monitoring submission of returns and working together with employers to ensure the returns are received promptly.

4.4 The Pensions Administration Strategy allows the scheme manager to take action against employers that do not comply with their statutory and legal obligations to the Pension Fund. These actions will be considered should employers not respond to requests for information in a timely manner.

5.0 LPP Business Update

5.1 LPPA has recently been through a procurement exercise for their pension administration system and contracts have been signed with Civica to provide their Universal Pensions Management (UPM) system. The UPM system will replace Altair as well as LPP's workflow management system (CMS), both YourFund employer portals and the My Pension Online member self-service portal. The Project is being delivered by a dedicated team of project managers and ring-fenced project roles to ensure no impact to the day to day performance of the business. It is expected that Go Live for the Brent Pension Fund will be in September 2022. LPP are to provide Brent officers with regular updates in weekly and monthly meetings to ensure successful transfer of administrative systems.

5.2 At the previous Pension Board meeting in March 2021, it was reported that LPP would commence work on the Guaranteed Minimum Pensions (GMP) reconciliation project in April 2021. This project will review discrepancies between HMRC’s and Brent’s data in relation to the GMP reconciliation exercise. LPP are to carry out this work on behalf of the London Borough of Brent. The project will be split into 5 key work streams which will cover amendment of deferred, active and pensioner records where errors are found, correction of duplication of records and revision of pensioner benefits where necessary.

5.3 John Crowhurst, the Commercial Director at LPP will be in attendance at the Pension Board meeting to provide a verbal business update.

6.0 Financial Implications

6.1 Not applicable.

7.0 **Legal Implications**

7.1 Not applicable.

8.0 Equality Implications

8.1 Not applicable.

9.0 Consultation with Ward Members and Stakeholders

9.1 Not applicable.

10.0 Human Resources

10.1 Not applicable.

Report sign off: ***Minesh Patel*** Director of Finance

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LPP
Local Pensions Partnership
Administration

Brent Pension Fund

Quarterly &

1st January – 31st March 2021

Annual

1st April 2020 – 31st March 2021

Administration Report

Contents

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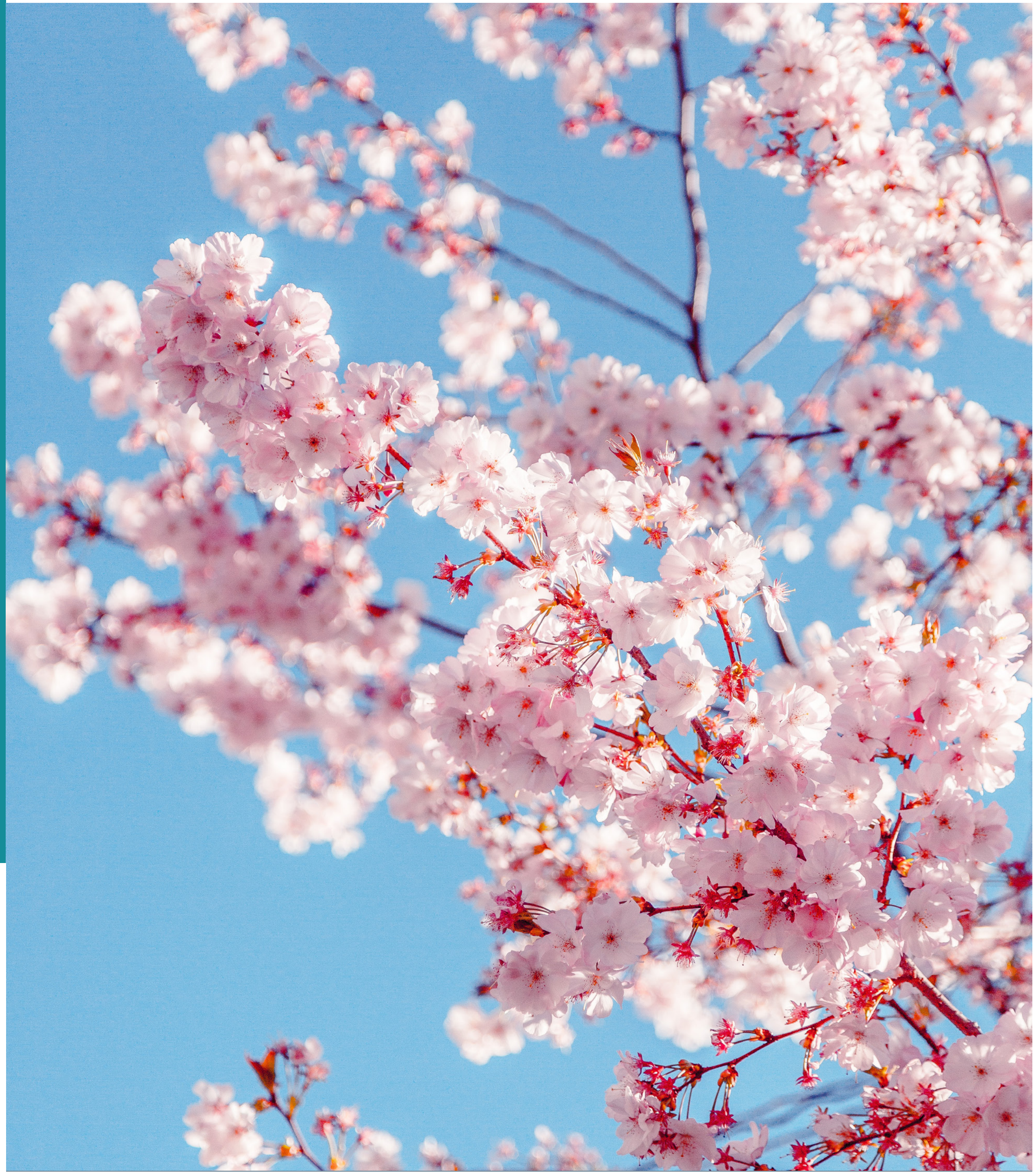

Definitions

Page 6

Total Fund Membership

Total Fund Membership is the number of Member records held on the LPPA pensions administration system that are contributing to, awaiting benefits, or receiving benefits from the pension fund.

Current age demographic

The age profile of the Membership is split across three types of status:

Active Members – Members who are currently contributing toward their pension benefits.

Deferred Members – Members who hold a deferred benefit in the fund.

Pensioner Members – Pensioners and Dependants who are currently receiving a pension.

Page 9

Casework Performance Against SLA

Performance is measured once all information is made available to LPPA, to enable them to complete the process. All casework has a target timescale in which to complete the process, and performance is measured as the % of cases that have been completed within that timescale.

Page 12-13

Casework Performance Against SLA

The category of 'Other' on this page covers cases including, but not limited to:

- Benefit revisions
- Maternity/paternity cases
- Ill Health cases
- Scheme Opt-Out cases
- Cases raised to cover 'My Pension Online' registration queries
- P60 queries
- 50/50 scheme changes
- APC / AVC queries

Please note the number of cases brought forward, does not match the corresponding number of outstanding cases reported in the previous quarter (due to reasons including the deletion of cases during the current reporting period).

Page 14-17

Elapsed Times

Elapsed days represent the total number of working days between the case being set up, and when it was completed by LPPA.

Page 18-21

Helpdesk Performance

Average wait time measures the time taken from the caller being placed into the queue, to them speaking with a Helpdesk adviser.

The percentage of calls answered does not include calls that are abandoned by the caller where the wait time is less than 2 minutes.

From July 2020, the average wait time is Client specific (prior to this, it was measured for All Clients). The Annual Calls answered performance figures are not Client specific (as we are unable to measure abandoned calls by Client).

Page 22-24

Customer Satisfaction Scores

The Helpdesk satisfaction scores (telephone, email and retirement) are the percentage of people who completed the survey with a satisfied (green) or neutral (amber) response. The Retirement satisfaction score illustrates the total surveys taken, split by response of Dissatisfied or Satisfied.

Page 26

My Pension Online (MPO)

The number and % of Members who have signed up to "My Pension Online" (online Member portal), including a quarterly view and a comparison with the overall LPPA sign up rate (all Members).

Page 27

My Pension Online (MPO)

The number of Members that are registered for My Pension Online, split by Member status and age profile.

Page 31-33

Telephone Numbers

The number and % of telephone numbers held by Member status (this is important as LPPA use telephone contact details where possible to reduce elapsed times).

Existing e-mail addresses

The number and % of emails held by Member status (this is important as LPPA utilise email as the preferred method of written communication).

E-Communications Opt-outs

The number and % of Members who have chosen not to receive email communications.

Page 38-40

Common/Conditional Data Fails

The Pension Regulator requires Administrators to keep Member data up to date to ensure benefits are accurately paid. This is split by Common Data (details that are specific to the Member) and Conditional Data (data that is related to the pension).

Individual Fails shows the total number of unique Members that have a single or multiple number of Common Data or Conditional Data fails. On both charts, the Accuracy Rate (%) then compares the number of Individual Fails to the total number of Scheme Members.

The TPR (The Pension Regulator) data scores were originally collected on a quarterly basis, but from June 2020 both have been collected monthly.

For more detail on the Data Items / Error types presented in these charts, please visit either the TPR or PASA (The Pension Administration Standards Association) websites.

Our Core Values

This administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services.

The report describes the performance of Local Pensions Partnership Administration (LPPA) against the standards set out in the SLA.

Within LPPA, our values play a fundamental role in guiding our behaviour as we grow our pensions services business and share the benefits with our Clients.

Page 26

Annual Plan 2020/21

✓ COMPLETED   DUE

	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
Annual Benefit Statement and Newsletter to Deferred Members		✓										
Pension Increases		✓										
Annual Benefit Statement and Newsletter to Active Members					✓							
Pension Saving Statements							✓					
HMRC Scheme Returns							✓					
IAS19 data				✓	✓				✓			✓

Working Together

Fund Membership

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Key

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Fund Membership

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ANNUAL TOTAL FUND MEMBERSHIP

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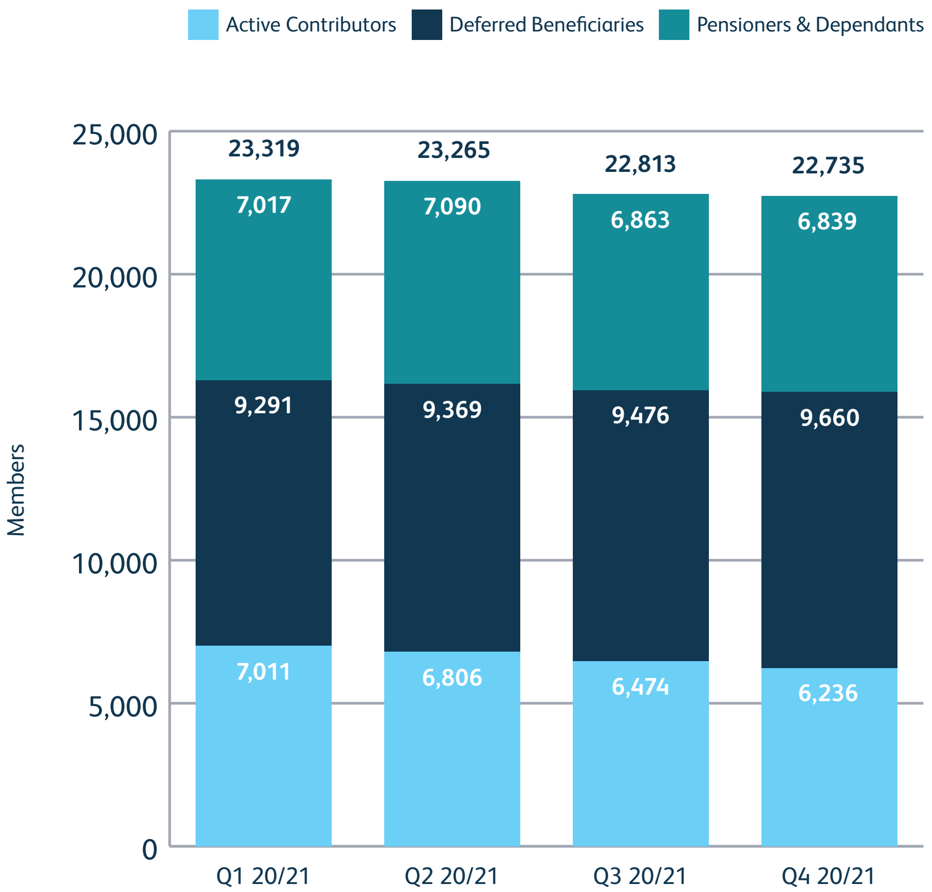
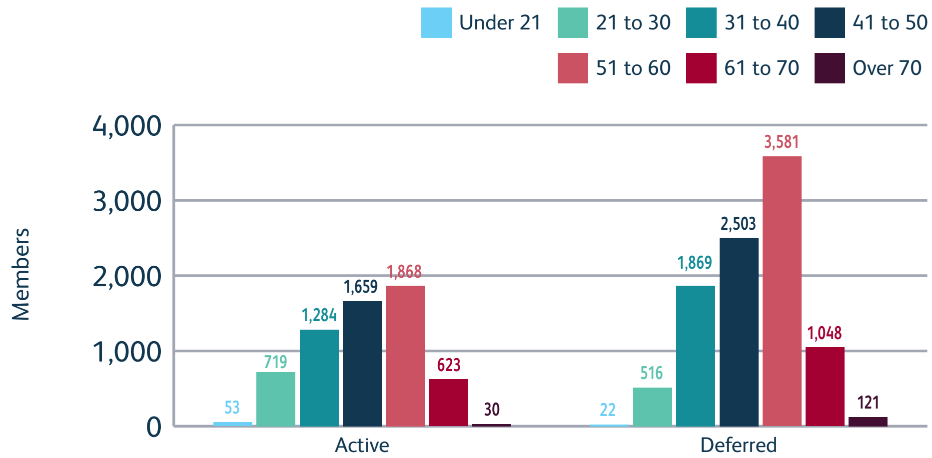
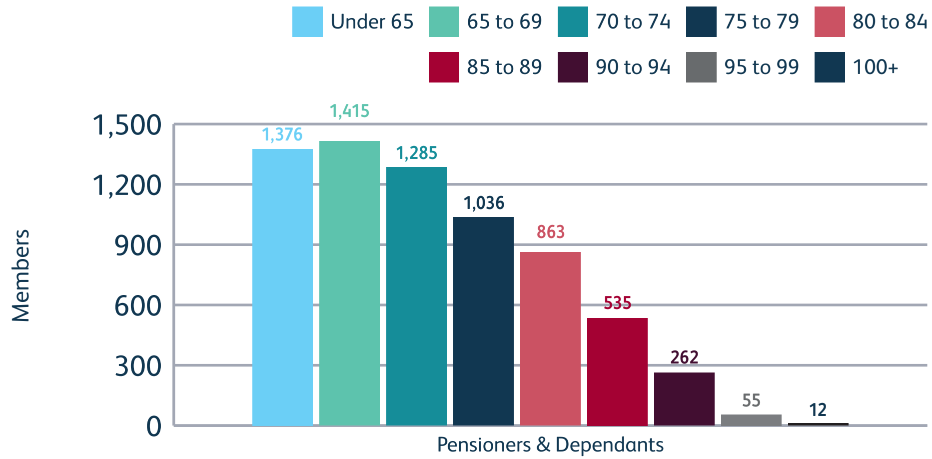


QUARTERLY

QUARTERLY CURRENT AGE DEMOGRAPHIC





Committed to Excellence

Casework Performance Against SLA

Key

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Casework Performance Against SLA

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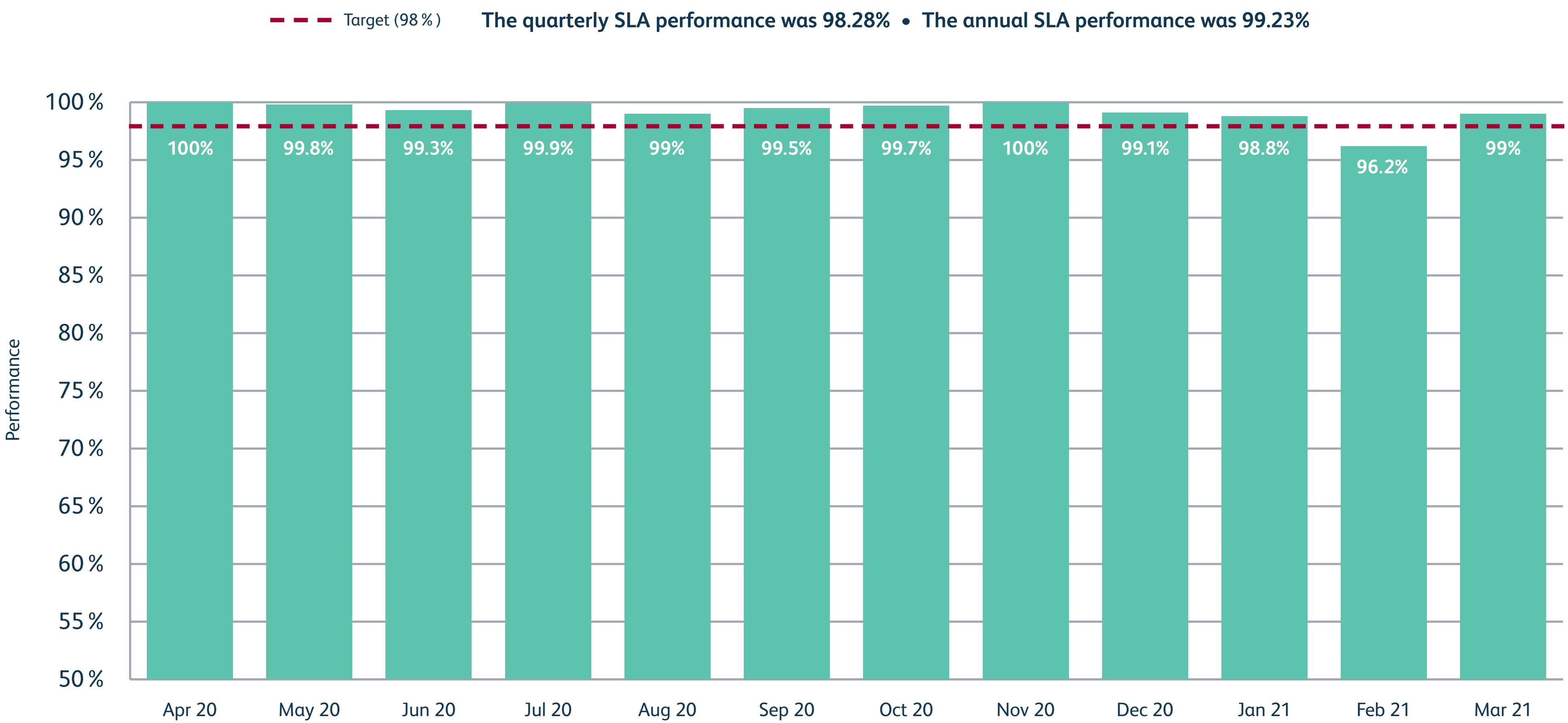
ANNUAL PERFORMANCE - ALL CASES



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QUARTERLY

Casework Performance Against SLA

QUARTERLY PERFORMANCE STANDARD

Page 32

Target: 98%

	SLA target (working days)	Total Processed	Performance
New starters	10	229	100%
Transfer In	10	82	100%
Transfer Out	15	89	100%
Estimate – Individual	10	102	99%
Deferred Benefits	10	352	100%
Deaths	5	171	98.2%
Retirements (immediate)	5	67	95.5%
Retirements (deferred)	5	109	93.6%
Refunds	10	134	100%
Estimates – Employer	10	105	98.1%
Correspondence	10	844	96.9%
Aggregation	30	80	98.8%
Other *(see definitions – page 3)*		368	98.9%

ANNUAL

Casework Performance Against SLA

ANNUAL PERFORMANCE STANDARD

Page 33

Target: 98%

	SLA target (working days)	Total Processed	Performance
New starters	10	1,080	100%
Transfer In	10	387	100%
Transfer Out	15	393	100%
Estimate – Individual	10	411	99.5%
Deferred Benefits	10	1,663	100%
Deaths	5	792	99.6%
Retirements (immediate)	5	139	97.8%
Retirements (deferred)	5	637	98.4%
Refunds	10	623	99.8%
Estimates – Employer	10	463	99.6%
Correspondence	10	1,528	97.1%
Aggregation	30	308	99.7%
Other *(see definitions – page 3)*		1,284	99.3%

QUARTERLY

Casework Performance Against SLA

ONGOING CASEWORK AT THE END OF THE REPORTING QUARTER

Page 34

	Brought Forward at 01/01/21	Completed	Received	Outstanding as of 31/03/21
New Starters	30	229	228	29
Transfer In	117	82	110	145
Transfer Out	49	89	119	79
Estimate - Individual	21	102	99	18
Deferred Benefits	166	352	307	121
Deaths	374	171	165	368
Retirements (Immediate)	51	67	107	91
Retirements (Deferred)	130	109	123	144
Refunds	39	134	137	42
Estimates - Employer	12	105	102	9
Correspondence	36	844	839	31
Aggregation	41	80	85	46
Other *(see Definitions – page 3)*	135	368	369	136
TOTALS	1,201	2,732	2,790	1,259

ANNUAL

Casework Performance Against SLA

ONGOING CASEWORK AT THE END OF THE REPORTING YEAR

	Brought Forward at 01/04/20	Completed	Received	Outstanding as of 31/03/21
New Starters	9	1,080	1,100	29
Transfer In	196	387	336	145
Transfer Out	90	393	382	79
Estimate - Individual	31	411	398	18
Deferred Benefits	325	1,663	1,459	121
Deaths	358	792	802	368
Retirements (Immediate)	33	139	197	91
Retirements (Deferred)	333	637	448	144
Refunds	109	623	556	42
Estimates - Employer	13	463	459	9
Correspondence	109	1,528	1,450	31
Aggregation	103	308	251	46
Other *(see Definitions – page 3)*	349	1,284	1,071	136
TOTALS	2,058	9,708	8,909	1,259

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Doing The Right Thing

Elapsed Times

Key

QUARTERLY Quarterly Figures

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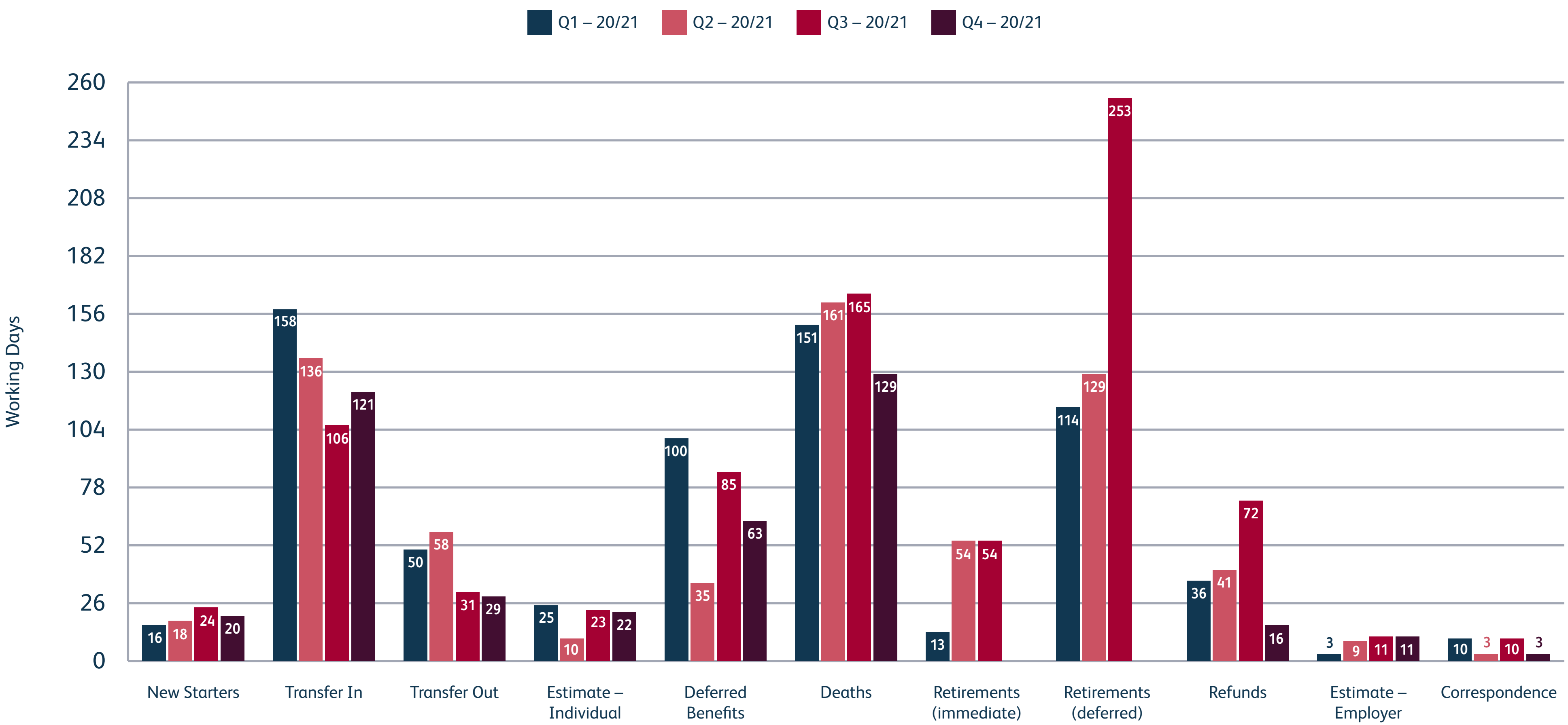
ANNUAL Elapsed Times

ANNUAL ELAPSED DAYS BY QUARTER



Retirement case elapsed time is unavailable for the reporting period 20/21 quarter 4. This will be available in 21/22 quarter 1 after we have transitioned to our new workflow allocation method. This will enable us to prioritise retirement work in a more focussed way to make more payments within 1 month of retirement.

ANNUAL

Elapsed Times (Retirements)

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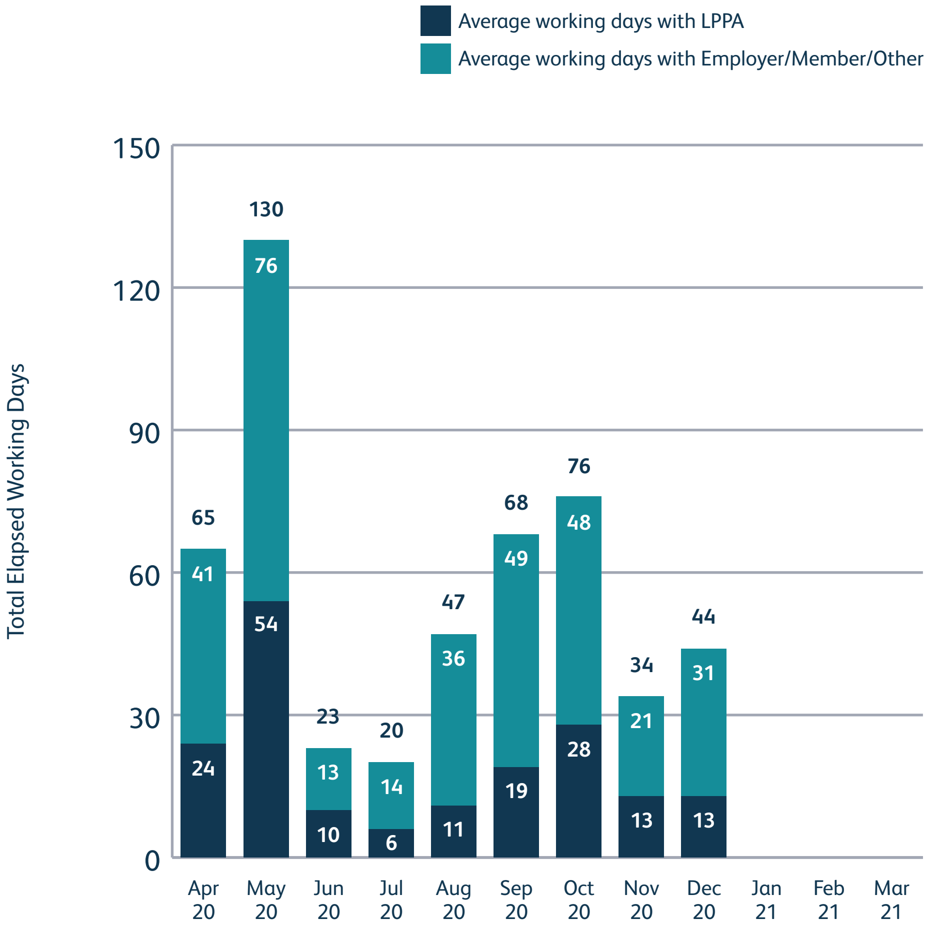
ANNUAL ACTIVE INTO PAYMENT



REASONS ON HOLD

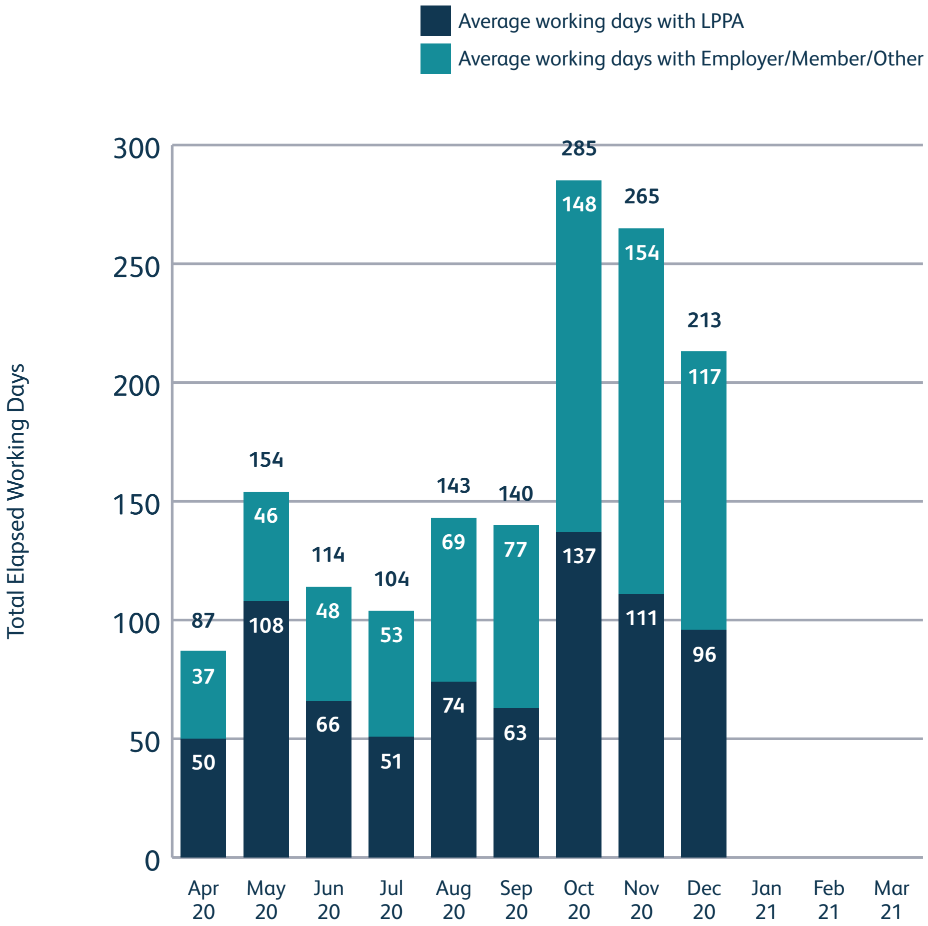
	Employer	Member	Other	Total
Apr 20	11.6	29.4	0.0	41.0
May 20	35.9	39.9	0.2	76.0
Jun 20	0.0	13.0	0.0	13.0
Jul 20	9.2	4.8	0.0	14.0
Aug 20	15.5	20.5	0.0	36.0
Sep 20	31.9	17.2	0.0	49.1
Oct 20	24.6	17.4	6.0	48.0
Nov 20	8.2	12.8	0.0	21.0
Dec 20	16.1	10.8	4.1	31.0

**Retirement case elapsed time is unavailable for the reporting period 20/21 quarter 4. This will be available in 21/22 quarter 1 after we have transitioned to our new workflow allocation method. This will enable us to prioritise retirement work in a more focussed way to make more payments within 1 month of retirement.*

ANNUAL

Elapsed Times (Retirements)

ANNUAL DEFERRED INTO PAYMENT



REASONS ON HOLD

	Employer	Member	Other	Total
Apr 20	2.2	33.7	1.1	37.0
May 20	3.5	41.3	1.2	46.0
Jun 20	5.1	42.9	0.0	48.0
Jul 20	12.0	39.0	2.0	53.0
Aug 20	28.0	37.7	3.3	69.0
Sep 20	28.5	37.3	11.2	77.0
Oct 20	14.1	31.6	102.3	148.0
Nov 20	12.9	30.8	110.3	154.0
Dec 20	28.1	46.2	42.7	117.0

**Retirement case elapsed time is unavailable for the reporting period 20/21 quarter 4. This will be available in 21/22 quarter 1 after we have transitioned to our new workflow allocation method. This will enable us to prioritise retirement work in a more focussed way to make more payments within 1 month of retirement.*

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Helpdesk Performance

Key

QUARTERLY **Quarterly Figures**

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Helpdesk Performance - Calls

ANNUAL

The Helpdesk deals with all call and e-mail enquiries from both members and employers for all funds that LPPA provide administration services for. The call data could not be collected between April and June due to the change in the way LPPA had to work during lockdown. LPPA implemented remote working and maintained an operational contact team but lost the management information temporarily.

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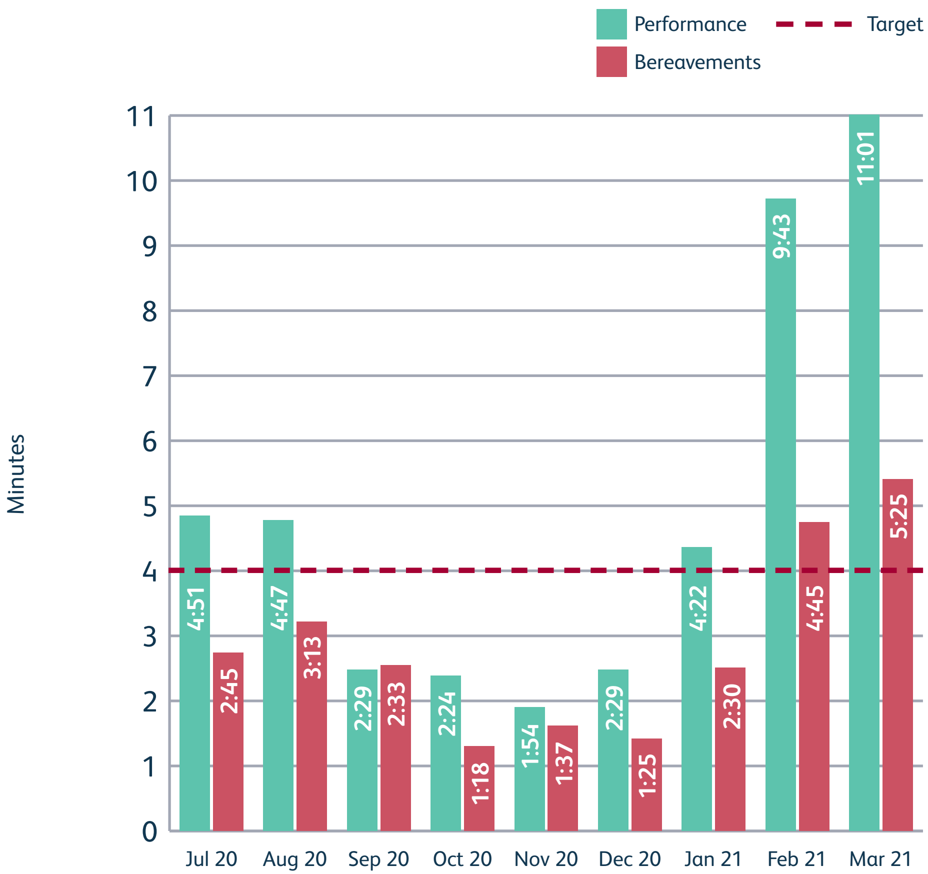
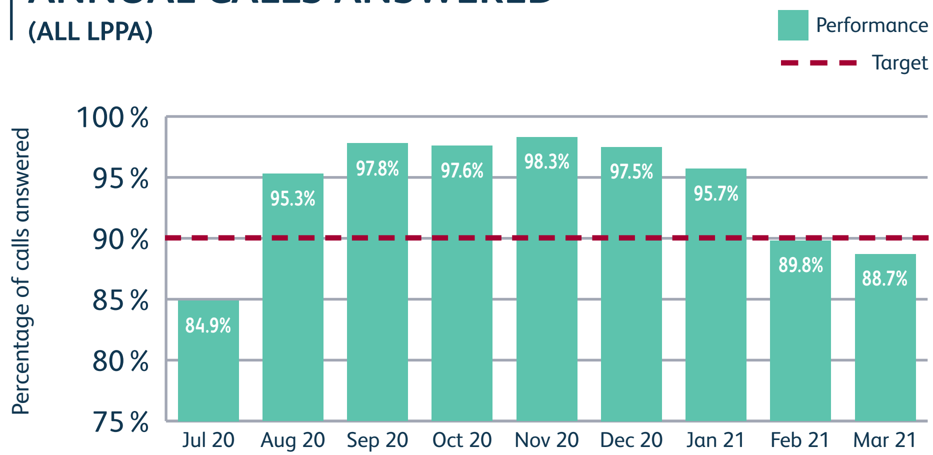
ANNUAL AVERAGE WAIT TIME

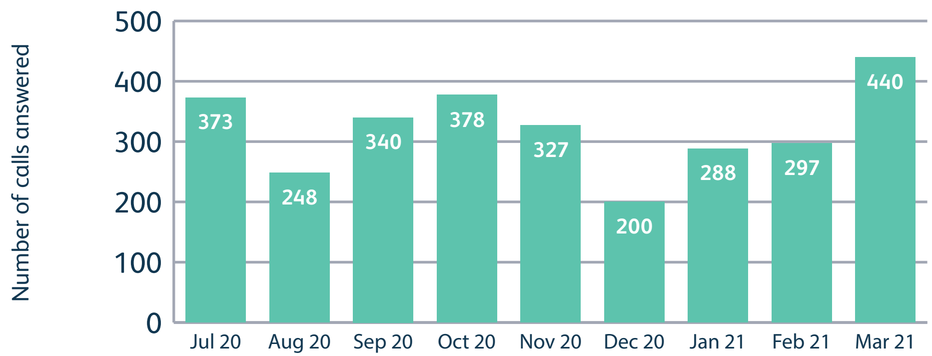


ANNUAL CALLS ANSWERED

(ALL LPPA)



ANNUAL CALL VOLUMES



Helpdesk Performance - Calls

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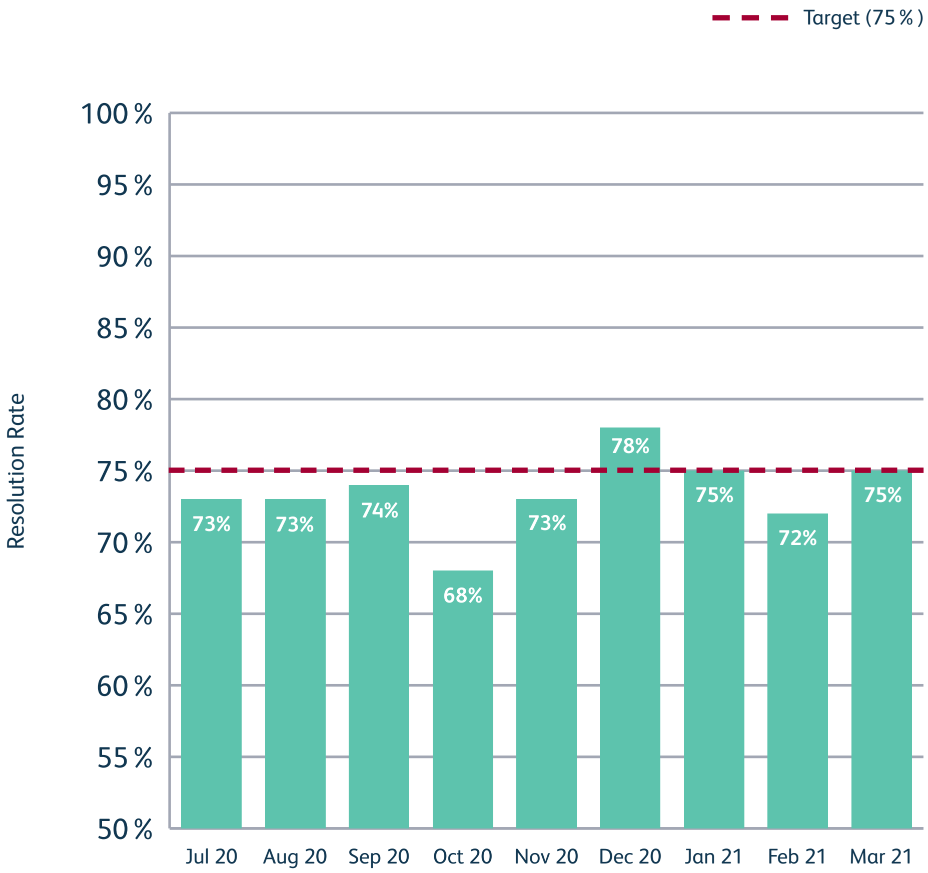
ANNUAL RESOLUTION RATE*



**Queries not resolved at first point of contact had a subsequent case setup. Our operations team then respond within agreed contractual time-scales.*

QUARTERLY

WHAT DO MEMBERS & EMPLOYERS CALL ABOUT?

	JAN 21	FEB 21	MAR 21
Annual Benefit Statement	5	7	6
Annual Allowance	2	0	1
Additional Voluntary Contributions / Additional Pension Contributions	7	6	5
Bereavement	58	49	68
Deferred	7	6	10
Divorce	1	2	0
Estimate	20	17	15
Life Certificates	2	2	0
McCloud	0	0	0
My Pension Online	19	24	40
P60	5	3	3
Payslip	8	27	24
Pension Increase	0	0	1
Refund	15	5	20
Retirement	80	78	114
Transfer	22	35	41
Update Details	8	10	24
Other	29	26	68
TOTALS	**288**	**297**	**440**

QUARTERLY

Helpdesk Performance - Emails

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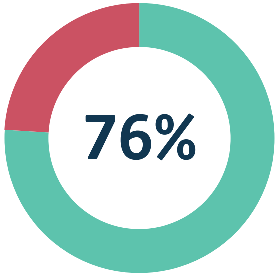
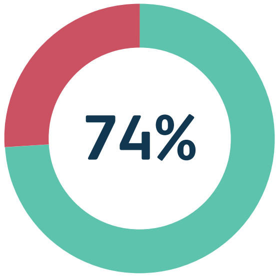
QUARTERLY RESOLUTION RATE*
(TARGET 75%)

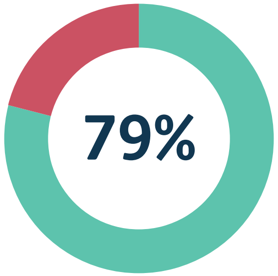
JANUARY



FEBRUARY

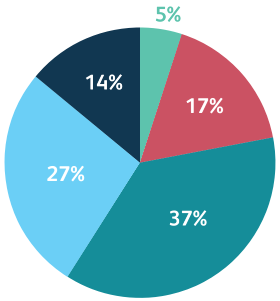


MARCH

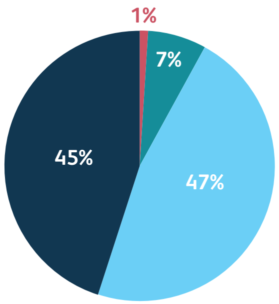


EMAIL HANDLING RATE

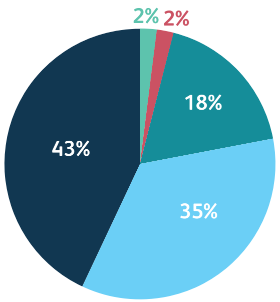
JANUARY



FEBRUARY



MARCH



WHAT DO MEMBERS & EMPLOYERS EMAIL ABOUT?

	JAN 21	FEB 21	MAR 21
Annual Benefit Statement	6	5	10
Annual Allowance	1	2	1
Additional Voluntary Contributions / Additional Pension Contributions	10	7	3
Bereavement	16	13	19
Deferred	3	2	4
Divorce	1	7	2
Estimate	15	10	7
Life Certificates	5	1	0
McCloud	0	0	0
My Pension Online	19	17	15
P60	1	3	2
Payslip	7	0	9
Pension Increase	0	0	0
Refund	9	5	11
Retirement	42	28	41
Transfer	46	62	45
Update Details	32	26	22
TOTALS	**213**	**188**	**191**

**Queries not resolved at first point of contact had a subsequent case setup. Our operations team then respond within agreed contractual time-scales.*

Committed To Excellence

Customer Satisfaction Scores

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Key

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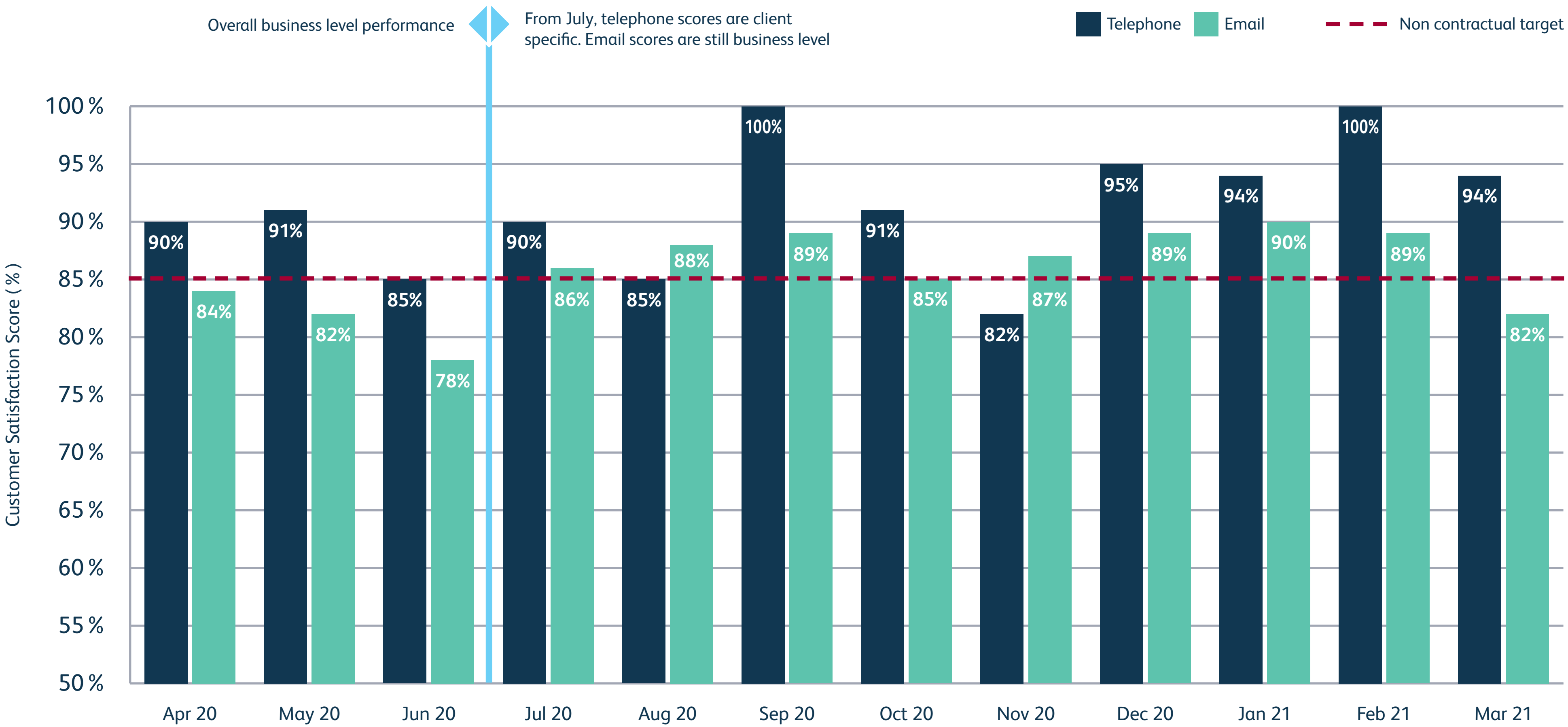
Customer Satisfaction Scores

ANNUAL HELPDESK SATISFACTION



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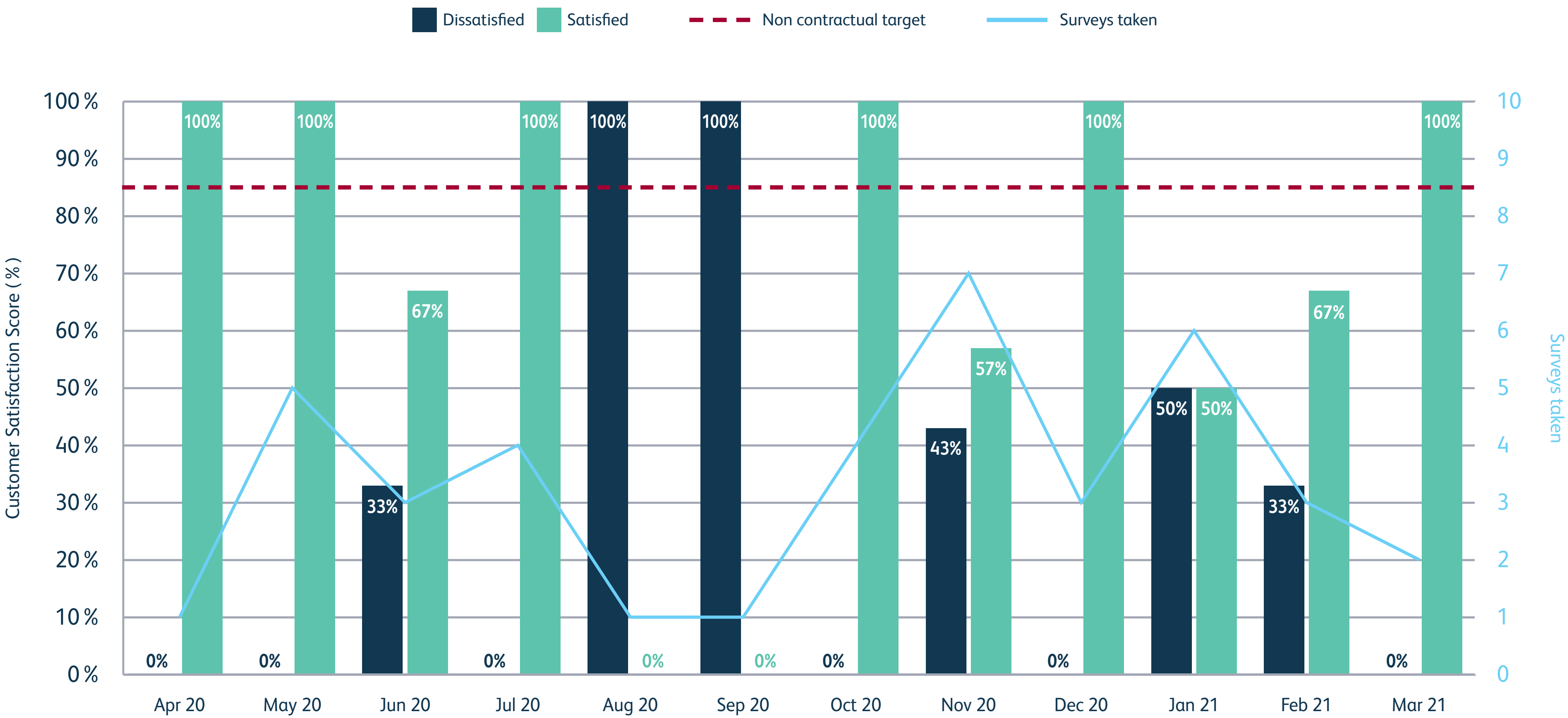
Customer Satisfaction Scores

ANNUAL RETIREMENTS



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Forward Thinking

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My Pension Online (MPO)

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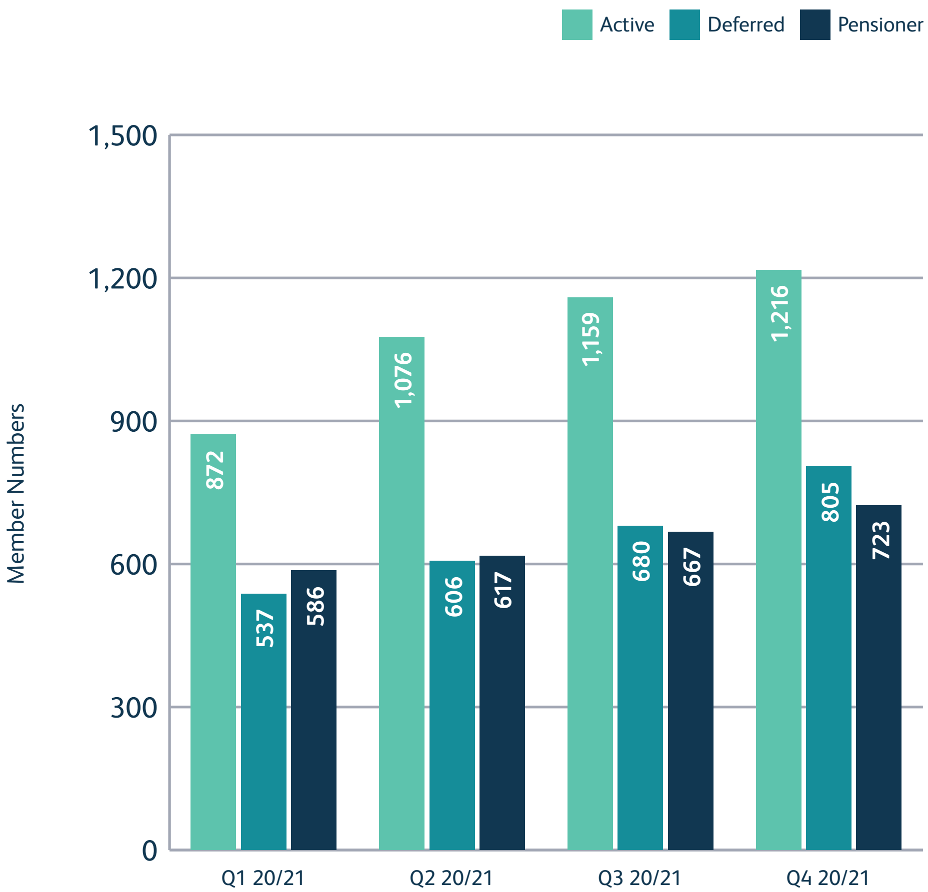
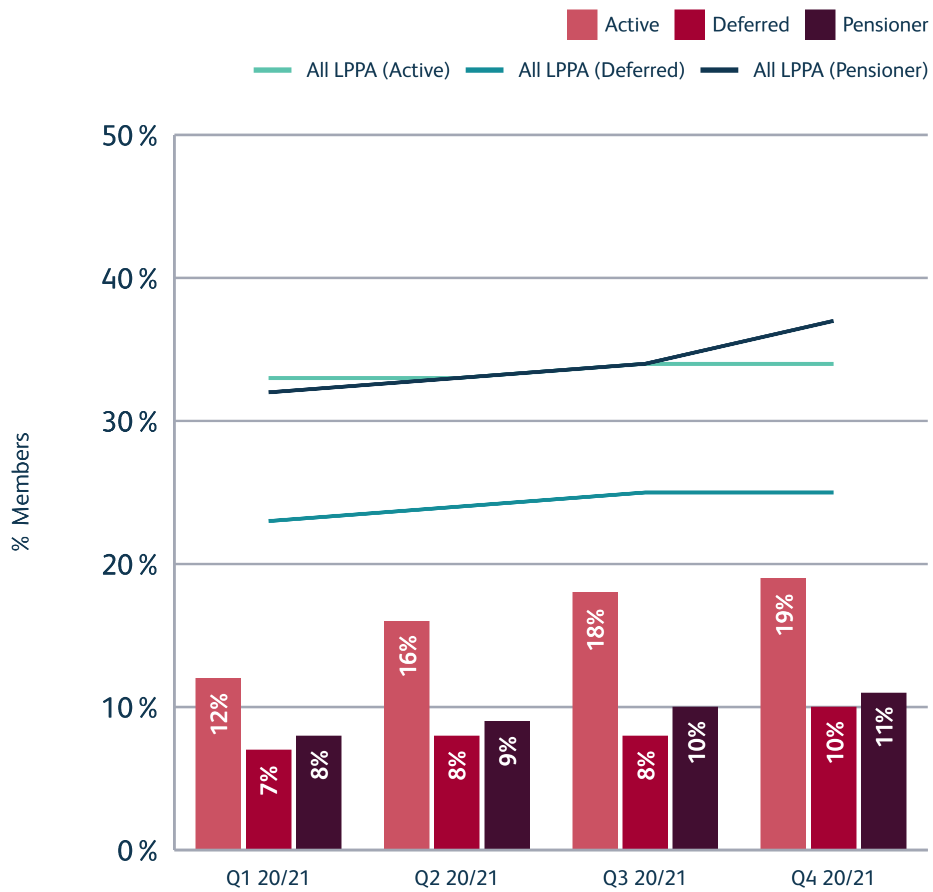
My Pension Online

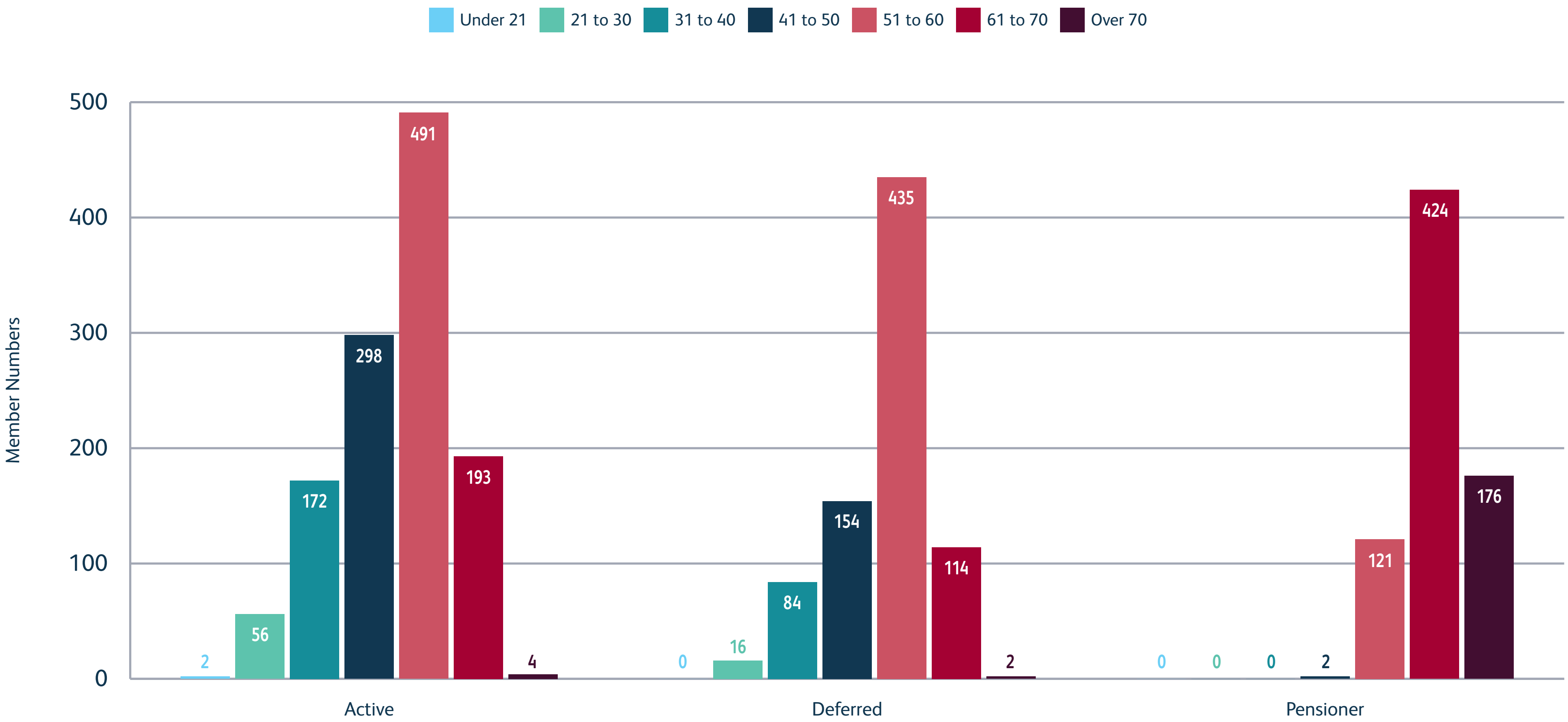
ANNUAL MEMBERS REGISTERED





My Pension Online

QUARTERLY AGE DEMOGRAPHIC



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Forward Thinking

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Service Improvements

Key

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QUARTERLY

Service Improvements

DELIVERED

1	Email campaign to ‘Overseas Members’, to encourage submission of a completed life certificate
2	End of Year data return activity (Employer training to clear outstanding queries / leaver forms)
3	Pensioner (Spring) Newsletter approved by Clients for MPO upload
4	‘Contact LPPA’ webform enhanced to allow multiple documents to be submitted
5	Populated retirement dates in the system
6	New operating model launched
7	Transfer Satisfaction survey launched

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SCHEDULED

1	Changing how we prioritise retirements to improve time to payment measures
2	Focusing online Member enquiries though the lppapensions website (secure communication channel preferences offered through LiveChat, Contact LPPA webform and My Pension Online portal), and removal of AskPensions email channel
3	Launch of Member video guide (Register your MPO account) and MPO self-service articles (How to Reset your Password, How to Update your Telephone Number, How to Nominate your Death Beneficiary) on the lppapensions website
4	Educational videos to feature on website (Managing your Retirement Process, a Brief History of LPPA, The Value of the LGPS), and published to Clients, Employers and Members
5	Helpdesk IVR message to route MPO queries initially to the website (to review online ‘help and support’ resources)
6	Member pensions documents (descriptions) in MPO to be simplified to improve Members understanding
7	Pilot (potentially launch) new Member Welcome email campaign

ANNUAL

Service Improvements

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DELIVERED

1	Improved Quarterly Client Reporting pack developed (including Employer Performance reports)
2	Extended Member satisfaction surveys to 6 interactions
3	Restructured operations to create process aligned teams
4	Ring-fenced all quality checking
5	Removed manual pay calculations
6	Launched new Member and Employer facing website
7	Launched Live Chat on lppapensions.co.uk
8	Launched enhanced bereavement process (including dedicated and prioritised Helpdesk option)
9	Implemented standard (monthly) mortality tracing and (at point of retirement) address tracing
10	Callers notified of place in call queue
11	Covid-19 impact analysis and service measures (quarterly Client pack issued)
12	Introduce new helpdesk telephony system 8x8

SCHEDULED

1	Focused improvement on elapsed times for Retirements process
2	Video assistance applied to lppapensions.co.uk to improve Member self-service
3	Proactive Retirement help sessions & bookable appointments (through website)
4	Simplicity promise applied to all communications (letters project to review all correspondence & forms, and generate ongoing feedback from Members)
5	LiveChat and website ‘Contact LPPA’ forms fully utilised
6	Flexible resource and forecasting tools to predict and plan for work peaks
7	Automation and standardisation

Forward Thinking

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Member Contact Data

Key

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Member Contact Data

EMAIL ADDRESSES

	Q1 – 20/21	Q2 – 20/21	Q3 – 20/21	Q4 – 20/21
Active Contributors	1,777 (25.35%)	2,031 (29.84%)	3,092 (47.76%)	3,128 (50.16%)
Deferred Beneficiaries	1,357 (17.22%)	1,481 (18.72%)	1,643 (20.47%)	1,811 (22.12%)
Pensioner and Dependants	1,014 (14.45%)	1,054 (14.87%)	1,152 (16.79%)	1,266 (18.51%)

TELEPHONE NUMBERS

	Q1 – 20/21	Q2 – 20/21	Q3 – 20/21	Q4 – 20/21
Active Contributors	286 (4.08%)	320 (4.70%)	388 (5.99%)	547 (8.77%)
Deferred Beneficiaries	302 (3.25%)	324 (3.46%)	382 (4.03%)	529 (5.48%)
Pensioner and Dependants	609 (8.68%)	632 (8.91%)	691 (10.07%)	903 (13.20%)

ANNUAL

Member Contact Data

DEATH NOMINATION

	Q1 – 20/21	Q2 – 20/21	Q3 – 20/21	Q4 – 20/21
Active Contributors	491 (7%)	579 (8.51%)	639 (9.87%)	711 (11.4%)

E-COMMUNICATIONS OPT-OUT

	Q1 – 20/21	Q2 – 20/21	Q3 – 20/21	Q4 – 20/21
Active Contributors	14 (0.20%)	13 (0.19%)	13 (0.20%)	11 (0.18%)
Deferred Beneficiaries	27 (0.29%)	27 (0.29%)	28 (0.30%)	28 (0.29%)
Pensioner and Dependants	372 (5.30%)	369 (5.20%)	361 (5.26%)	358 (5.23%)

Working Together

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Engagement Activity

Key

QUARTERLY **Quarterly Figures**

ANNUAL **Annual Figures**

QUARTERLY

Engagement Activity

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EMPLOYERS

Date	Employer	Activity	Number in attendance
18 Feb 2021	Brent Council	Training	1
18 Feb 2021	Jewish Free School	Training	3
18 Feb 2021	Capital City Academy	Training	1
18 Feb 2021	Kingsbury High School	Training	1
24 Feb 2021	Compass Learning Partnership	Training	1
24 Feb 2021	Byron Court Primary School	Training	1
04 Mar 2021	JFS	Training	3
04 Mar 2021	Phoenix Arch School	Training	1
04 Mar 2021	Wembley Primary School	Training	1
04 Mar 2021	Oliver Goldsmith Primary School	Training	1
04 Mar 2021	St Joseph's Junior School	Training	1
04 Mar 2021	Our Lady of Lourdes Catholic Primary School	Training	1
15 Mar 2021	Barham Primary School	Training	1
15 Mar 2021	Teeside University Payroll Services	Training	1
29 Mar 2021	Teeside University	Training	5
29 Mar 2021	Carlton Vale Infant School	Training	1
29 Mar 2021	Leopold Primary School	Training	1
29 Mar 2021	Chalkhill Primary School	Training	1

EMAILS – EMPLOYERS

Date	Message / Campaign	Call to Action
28 Jan 2021	Employer Ill health Webinar Invitation	Book training
03 Feb 2021	Submitting End of Year Queries	Submitting End of Year Queries
04 Feb 2021	Ill Health Campaign	Book on training
05 Feb 2021	McCloud Data Collection	Information
12 Feb 2021	Scheme Essentials Promotion	Promote member presentations

EMAILS – EMPLOYERS continued…

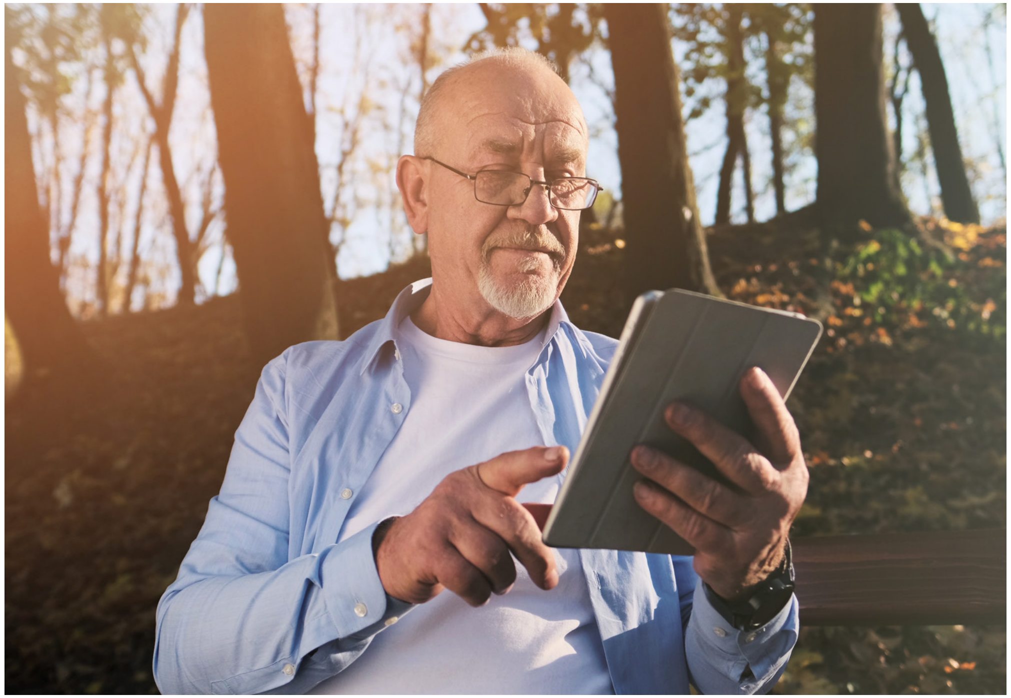
Date	Message / Campaign	Call to Action
12 Feb 2021	Updated Process - Opt Out Notification	New process to follow
15 Feb 2021	Exit Cap (Update)	Information
16 Feb 2021	Bereavement for Employers	New process
17 Feb 2021	End of Year Training	Book on training
17 Feb 2021	Bereavment Notification Proforma Launch	New process to follow
18 Feb 2021	Exit Cap (Update)	Information
24 Feb 2021	End of Year Preview Template	Use template for submission of year end data
01 Mar 2021	Email Address Collection	Supply member email data
02 Mar 2021	Understanding Employer Roles - LGA Training	Promote LGA training
02 Mar 2021	3rd party Payroll Campaign	Information
04 Mar 2021	Introducing Your Employer Engagement Team	Information
04 Mar 2021	Exit Cap (Update)	Information
08 Mar 2021	Outsource Payroll	Information
19 Mar 2021	Scheme Leaver Essentials Training Invitation	Book training

EMAILS – MEMBERS

Date	Message / Campaign	Call to Action
January	Overseas Pension Certificate Request	Form
	Surveys: Bereavement, Retirement, Estimates, Transfer Out	Survey
February	Surveys: Bereavement, Retirement, Estimates, Transfer Out	Survey
March	MPO: Nominate a Beneficiary	Update MPO
	MPO: Update Telephone Details	Update MPO
	Surveys: Bereavement, Retirement, Estimates, Transfer Out	Survey

QUARTERLY ENGAGEMENT COMMUNICATIONS OVERVIEW

- Overseas Members email activity (to encourage submission of complete life certificate).
- Updated Q3 Covid-19 impact reports issues to Clients.
- LGPS Essentials program was launched to Members (bookable monthly sessions for 21/22).
- LPPA shortlisted for Administrator of the Year in the Pension Age Awards 2021.
- External media (PR) activity issued promoting success of LPPA’s partnership with Target Professional Services (contact tracing and mortality tracing), and the award of contract with Civica for their UPM pension administration system.



ANNUAL ENGAGEMENT COMMUNICATIONS OVERVIEW

- Bulk email platform brought in-house (delivering time and cost efficiencies, more responsive to business needs, and improved analytics).
- Creative and design work brought in-house (more professional communications, and consistent application of LPPA brand style).
- Ongoing development of lppapensions.co.uk (improved Member experience, simplified journey to access pension information through MPO).
- Member engagement email campaigns to deliver KPI's (increase MPO registration, improve quality of personal contact data including personal email address and telephone number, and death beneficiary nominations).
- Remote (online) Employer training and workshops, delivered via Teams (and recorded / distributed via email to extend reach of activity).
- Content strategy implemented to review pension information published offline (Member correspondence) and online (website, email) to ensure clear, understandable, and simplified communications.
- During the latter part of 2020/21 four virtual visits were carried out with Employers in need of one to one support.
- Over 55 delegates from across all Employers attended training, the topics included leaver essentials, ill health and absence and assumed pensionable pay.

Doing The Right Thing

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Data Quality

Key

QUARTERLY Quarterly Figures

ANNUAL Annual Figures

QUARTERLY

Data Quality (TPR scores)

QUARTERLY COMMON DATA

Data Item	Active	Deferred	Pensioner / Dependant
NI Number	4	71	29
Surname	0	0	0
Forename / Initials	0	6	8
Sex	0	0	0
Date of Birth	0	0	0
Date started pensionable service / Policy / Contributions	0	0	0
Expected retirement / maturity / target retirement date	0	0	0
Membership status	0	0	0
Last event status	0	0	0
Address	42	795	42
Postcode	44	845	55
Total fails	90	1,717	134
Individual fails	48	916	84
Total members	6,236	9,660	6,839
Accuracy rate	99.2%	90.5%	98.8%

Total accuracy rate	95.4%

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Data Quality (TPR scores)

QUARTERLY

QUARTERLY CONDITIONAL DATA

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Data Item	Fails
Divorce records	0
Transfer In	5
AVC's / Additional Contributions	0
Deferred Benefits	0
Tranches (DB)	670
Gross Pension (Pensioners)	16
Tranches (Pensioners)	898
Gross Pension (Dependants)	20
Tranches (Dependants)	19
Date of leaving	0
Date Joined Scheme	0
Employer Details	0
Salary	760
Crystallisation	97
Annual Allowance	348
LTA Factors	0
Date Contracted Out	7
Pre-88 GMP	967
Post-88 GMP	1,439
Total fails	5,246
Individual fails	4,152
Total members	22,735
Total accuracy rate	81.7%

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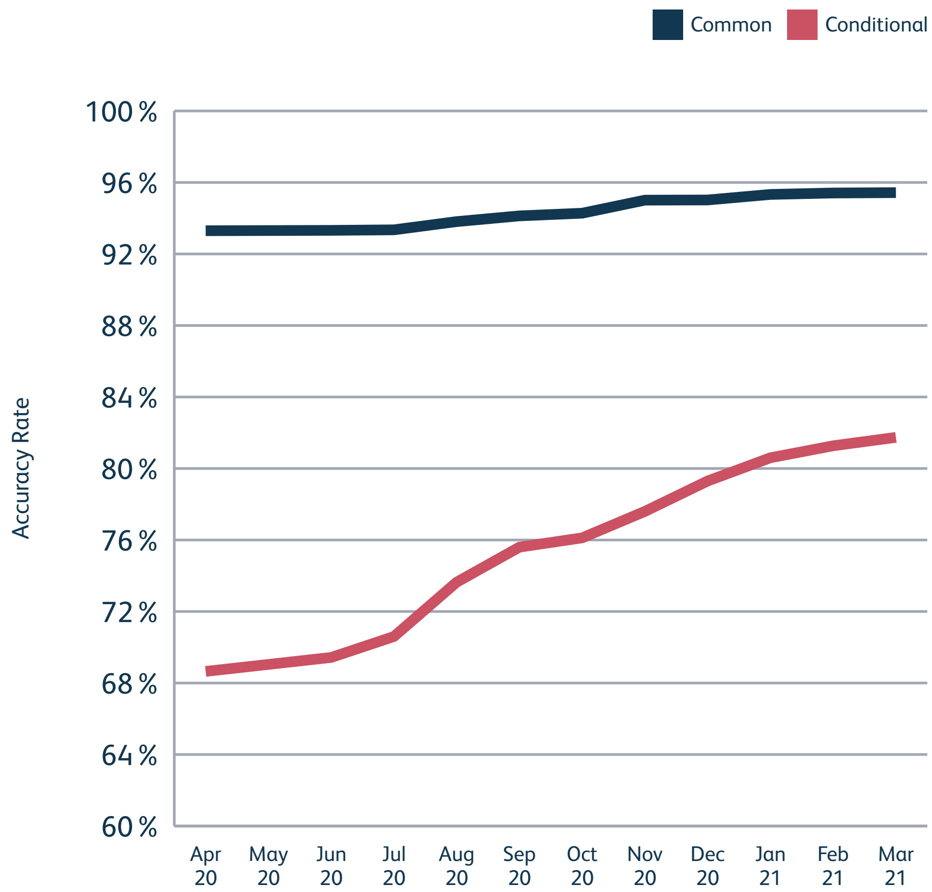
ANNUAL COMMON & CONDITIONAL ACCURACY RATE



LPP

Local Pensions Partnership
Administration

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LPP

Local Pensions Partnership
Administration

Brent

Local Government Pension Scheme
Active Member Newsletter 2021

Contents

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In an incredibly short period of time, we've had to adapt quickly to remote working, which has made us think differently, try new things and become more flexible than ever.

Welcome to our 2021 newsletter

What a difference a year makes!

After such a difficult year, it's impossible to introduce our newsletter without at least mentioning the pandemic. But rather than dwelling on the challenges we've faced over the last 12 months, I'd prefer to focus on the positives – like how we've discovered new ways of working, transformed our processes and created a safe and secure environment for our teams.

In an incredibly short period of time, we've had to adapt quickly to remote working, which has made us think differently, try new things and become more flexible than ever. Funnily enough, this has actually helped us to build a stronger sense of togetherness and I'm proud to say, it has made us even more effective as an organisation.

With this in mind, I want you to know that we remain 100 % focused on providing a simple, straightforward and stress-free pension process. Whether it's getting you set up when you join your scheme, updating your pension preferences, or making sure your retirement income is paid on time, we're here to support you in any way we can.

I'm also pleased to confirm that we're planning a number of service improvements over the course of the year. In the following pages, you'll find details of what to expect in terms of online tools, videos and guides – plus plenty of tips on how to get the most out of your pension.

I hope you enjoy the read and please take a moment to pass on your feedback at the end.

Best wishes

Jo Darbyshire
Managing Director, LPPA

Are you looking after your loved ones?

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One of the great things about the Local Government Pension Scheme LGPS pension, is that it gives you the added reassurance of knowing that your loved ones will be well looked after when you're gone. If you die before taking your pension, it provides a tax-free lump sum to the people you care about most.

You can choose who receives this lump sum (also known as your death grant), by nominating a beneficiary via your **My Pension Online** account. And by adding in these details sooner rather than later, it can save your loved ones a great deal of time and effort further down the line.

Who can you look after?

- Your spouse or partner
- Son or daughter
- Family member or lifelong friend
- A charity that's close to your heart
- A combination of the above

Remember, while your pension scheme can ultimately decide who your death grant goes to, it will always consider your wishes.

Jargon Buster – Death Grant

A death grant is a lump sum of money that you're entitled to when you have an LGPS pension. It acts as a kind of life insurance for your loved ones in the event of your death.

The importance of nominating a beneficiary

Choosing a loved one as your nominated beneficiary has many benefits;

- Gives you peace of mind that your lump sum goes to the right people
- Ensures your money is distributed fairly and securely
- Helps make sorting out your finances far less stressful for family and friends

Nominate your beneficiary today

Visit My Pension Online at:
lppapensions.co.uk/members/members-log-in

It all adds up to a better pension

Understanding your pension contributions

One of the good things about having an LGPS pension is that when the cost of living goes up, so do your benefits. In fact, your pension is adjusted every April in line with inflation using the Consumer Price Index (CPI). And to make sure you never lose out, if living costs go down, your pension stays the same – so you really are well-protected.

This year, the LGPS pension increased by 0.5 %. This was applied to all pensions on 12 April 2021, which means that as long as you are an active Member (paying into your LGPS pension up to 31 March 2021) 0.5 % will have been automatically added to your balance!

To learn more about the 2021 pension increase, visit:
lppapensions.co.uk/pensions-increase-2021-2

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What are you contributing?

How much you contribute to your pension is based on your salary. This is known as your contribution rate and is decided by your employer (not you) when you join your pension scheme. Your employer reviews your contribution rate in April each year.

Of course, if you want to top up your benefits, you can choose to increase your pension contributions. Alternatively, you can join the 50/50 section of your scheme, which allows you pay half the contributions in exchange for reduced benefits.

You can check your contribution rate (including for the 50/50 option) in the table below:

Your actual pensionable pay	Main Section contribution rate	50/50 Section contribution rate
Up to £14,600	5.50 %	2.75 %
£14,601 to £22,900	5.80 %	2.90 %
£22,901 to £37,200	6.50 %	3.25 %
£37,201 to £47,100	6.80 %	3.40 %
£47,101 to £65,900	8.50 %	4.25 %
£65,901 to £93,400	9.90 %	4.95 %
£93,401 to £110,000	10.50 %	5.25 %
£110,001 to £165,000	11.40 %	5.70 %
£165,001 or more	12.50 %	6.25 %

What if I get a pay rise?

If your pay changes during the year, your employer may decide to review your contribution rate then, rather than wait till the following April.

What if I have more than one job?

If you have more than one job and, as a result, more than one LGPS pension, each of your employers will determine the contribution rate for each salary you receive.

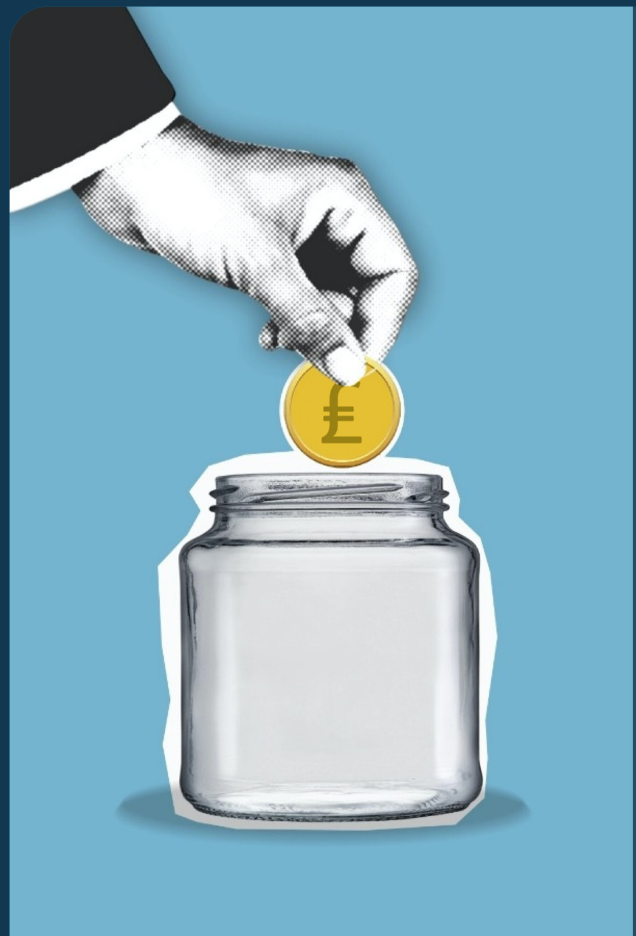
Increasing your contributions

If you want to increase your retirement benefits you can choose to buy additional pension contributions, known as APCs – up to maximum amount of £7,316 per year. This is then payable when you retire. Again, this figure will increase each year in line with inflation.

If you have been absent from work, your employer may also make contributions to help you buy back any lost pension. This is known as a SCAPC – shared cost additional pension contribution.

You can increase your contributions by paying APCs or SCAPCs in three different ways:

- Regularly for a period of time.
- Over a number of years.
- As a one-off lump sum.



To find out more about your pension contributions, visit the **LPPA website**

Life is for Living!

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Retirement is a funny thing. For some people it's the end of an era and a really tough decision, while for others it's all about new opportunities, which can't come quick enough. And, of course, there are those who flit between excitement, anxiety and good old-fashioned relief.

Whichever way you look at it, it's important to have all the information you need at your disposal. And it's never too soon to start planning. So, to make your life easier, we're putting together a series of communications that are designed to help with your retirement journey – starting with our new retirement video…

Watch our new Retirement video

Please keep an eye out for our retirement updates, which will be hosted on the new [Life is for Living] page of our website. And, if you have any questions or ideas on what you might like to see in the future, we'll be including a series of regular surveys where you can pass on your feedback.

To kick things off we've created a 30-second survey, which asks one simple question:

What does retirement mean to you?

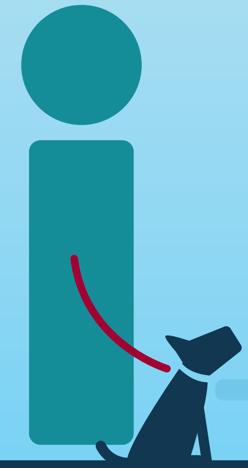
We'd love to know your thoughts and, if you can't find the words, feel free to upload a picture instead.

Take our 30-second survey

Thinking about retiring?

Here are 10 tips to get you started…

Click here to download our checklist



Getting the retirement lifestyle you want

Budgeting and increasing your benefits

To get the most from your retirement, it's worth thinking about the lifestyle you can have with the pension income you'll get - from covering your basic needs to enjoying some luxuries along the way.

To kick things off, it's good to have a target in mind and consider how you can live with that cash. For example, a single person could aim for:

£10,200 - Minimum lifestyle - to cover their needs with a little left-over cash for fun.

£20,200 - Moderate lifestyle - to provide financial security and flexibility.

£33,000 - Comfortable lifestyle - to enjoy more financial freedom and some luxuries.

Covering your costs

It often helps to break down those costs further, by working out how much you need to spend on each part of your lifestyle…

- Monthly outgoings - for water, electricity and other bills
- House - for DIY maintenance and decorating
- Food and drink - for your weekly shop
- Transport - for car, bus or train costs
- Clothing and footwear - for replacing and expanding your wardrobe
- Holidays and leisure - for travelling and weekly hobbies
- Helping others - for birthdays and other presents

A weekly food shop, for example, could range from spending £38 (minimum lifestyle) to £56 (comfortable lifestyle).

To find out more, visit Retirement and Living Standards from the Pensions and Lifetime Association: retirementlivingstandards.org.uk

Fancy a top up?

You can also make your retirement income go further with an additional pension contribution (APC) or additional voluntary contribution (AVC) scheme.

APC – When you buy additional local government pension that's payable when you retire.

AVC – When you build up a second pot of money to add to your existing pension.

When considering these schemes, think about what you can afford. And remember, you'll get tax relief on the extra contributions you make… so it might be more affordable than you think!

To learn more, visit Increasing Benefits

How has Covid affected your pension?

If you're worried about how the pandemic has affected your pension , the following Q&As will hopefully put your mind at rest.

Will a fall in fund performance affect my pension?

No, it won't. The LGPS is a guaranteed public sector and defined benefit scheme, which means your pension is safe, whatever happens. This is because your pension benefits are calculated on your pay, not on the performance of the fund itself.

Is my pension still safe if I'm on furlough?

Yes, it is. You will still continue to pay into your pension through your furloughed salary. The only thing to bear in mind is that your benefits may be slightly reduced during the furlough period, if your pay is reduced. This is because your benefits for the year are based on the amount of pay you receive.

Remember, you can also top up your pension benefits via additional pension contributions (APCs) or additional voluntary contributions (AVCs) – see page 10.

What if I lose my job?

Although losing your job means you'll no longer be able to pay into your pension, you won't lose the benefits you've already built up. We'll just keep them safe, ready for you to collect when you reach retirement.

Don't forget about your mental health

It isn't just your pension that needs looking after during the pandemic. Maintaining your mental health and wellbeing is more important than ever. Here are some tips that might help.

1. Exercise regularly to keep yourself active – it's a great way to relax and reduce stress.
2. Use mindfulness to focus your mind via the senses – sight to sound, touch to taste.
3. Learn something new – building up knowledge, skills and interests can boost morale.
4. Limit your intake of daily news – it may help to reduce worries and anxieties.
5. Follow a daily routine if you're homeworking or on furlough – it helps you feel in control.
6. Diarise your activities – recognising your achievements can create positive thoughts.

Have you tried our pension calculators?

Whether you're planning your retirement or just weighing up your future finances, our online pension calculators can save you a great deal of time and effort. Here's how to get an estimate of your benefits in just a few clicks.

1. **Log in to** My Pension Online – using your username and password. If you haven't tried it before, watch our video on How to register and activate your account
2. **Select your calculator** – by clicking the Benefit Calculators link in the Pension Benefits tile. There are five options to choose from:
   - **Deferred benefits** – calculates your future benefits if you're no longer paying into the scheme.
   - **Pension Payment calculator** – calculates your future benefits if you're part of an active scheme.
   - **Ill health retirement** – estimates your benefits if you retire due to ill health.
   - **Death benefits** – works out how much your beneficiaries would receive in the event of your death
   - **Redundancy retirement** – estimates your retirement benefits if you're made redundant.
3. **Enter your calculation details – by filling in the boxes**
   Depending on when you joined the LGPS scheme, you will be asked to complete at least two of the three boxes opposite:

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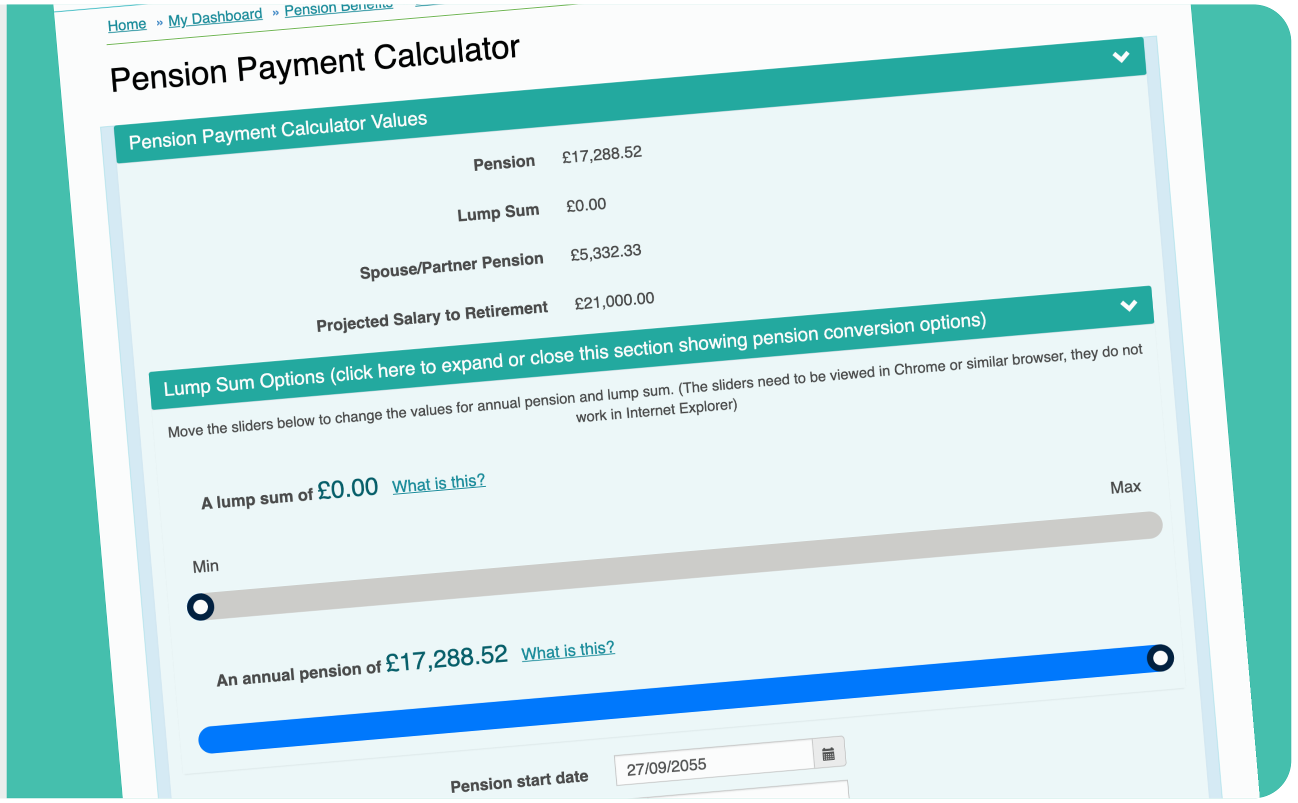

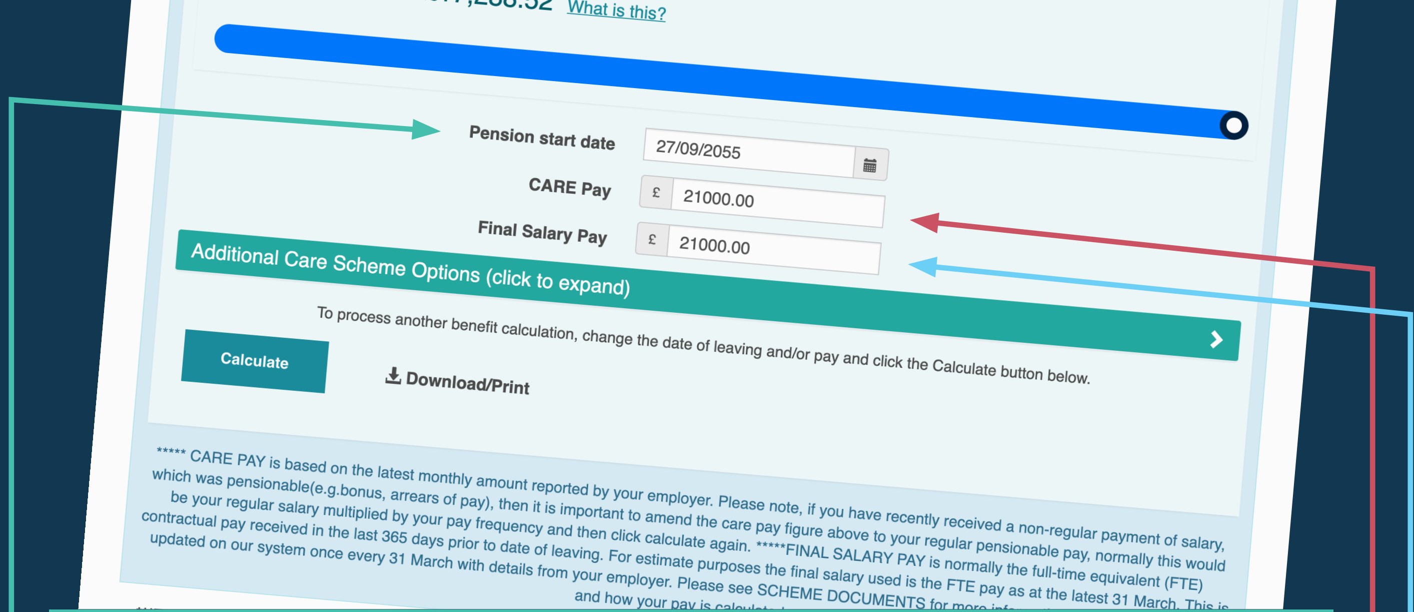

Pension Start Date – the date you intend to take your pension.
Tip – try changing your retirement date to see how this affects your benefits.

CARE Pay – your gross annual earnings, based on what you actually earn (e.g. full-time, part time or overtime).
Tip – this is pre-populated based on your latest salary, but you can make adjustments if you don't think it's quite right.

Final Salary Pay – your gross annual earnings (or full-time equivalent if you're working part-time).
Tip – this option will only be visible if you joined your scheme before 2014. And again, you can make adjustments if you don't think it reflects your final salary.

Once you're happy with the details, hit the **calculate button** to reveal your benefits estimate.

Please note: the figures provided are only estimates of the benefits you could receive, they are not guaranteed.

Additional tips

- You can take up to 25% of your total pension benefits as a tax-free lump sum. Use the slider function to increase or decrease your 'lump sum' option and see how it affects your annual benefits.
- If you have taken out Additional Voluntary Contributions (AVCs), remember this will increase your pension benefits – unfortunately, this isn't included in your calculations.
- You can expand the Additional Care Scheme Options to include more options into your calculation.
- Use the Download/Print option to keep a permanent record of your calculation.

Remember, you can play with the numbers as often as you like and, if you're struggling to make sense of it all, take a look at our brand new **How to use your Pension Calculator** video.

Watch our new How to use your Pension Calculator video

Don’t let a scammer enjoy your retirement…

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6 tips to avoid a pension scam

The prospect of scammers can be quite unnerving when you’re planning your retirement. But as long as you’re sensible and know what to look out for, you can avoid them getting anywhere near your pension.

Here are six tips to help you stay alert…

1

Reject unexpected offers

If a pension company suddenly contacts you with an enticing offer, which you’ve not come across before, it’s probably a scam. Scammers are known for cold-calling about pensions, but this became illegal in 2019. So, if you’re cold-called, remember that caller is breaking the law, reject the offer right away and hang up.

2

Check who you’re dealing with

It’s not unusual for fake pension companies to seem legitimate. Scammers are experts in creating websites and brochures that look above board. So, it’s wise to do your research and check who you’re dealing with. It’s also worth checking the Financial Services Register register.fca.org.uk/ – for their details to make sure they’re FCA-regulated.

3

Be aware of false claims

Pension scammers often try to draw you in by making hard-to-beat claims. They’ll use words like “pension liberation,” claiming that you’ll “gain high-guaranteed returns” or “access to your pension before you’re 55.” But such claims are actually not possible for a pension company. Like many things in life, if it seems too good to be true, it probably is.

4

Never give out your bank details

You should never give your bank details to a company that contacts you – over the phone, online, or in person. This includes your bank account number, card PIN and online banking password. An official pension company will never ask you to provide these details. If they do, it’s most likely a scam… so beware!

5

Don’t feel rushed or pressured

Setting up a pension shouldn’t be a rushed task. But scammers will pressure you to act quickly and sign up on the spot. If you come across a pension scheme that you’d like to know more about, don’t feel rushed or pressurised into making a decision. Read all the available information carefully before you commit to anything.

6

Get impartial advice

It’s always worth getting impartial advice to stay on the safe side of a potential scam. You can get this free from The Pensions Advisory Service. Or by speaking to an independent financial adviser. Remember, the adviser should be regulated by the FCA and not linked to the pension company offering the scheme you’re interested in.

What to do if you suspect a pension scam

Report it to the Financial Conduct Authority (FCA)
Phone **0800 111 6768** or use the reporting form at www.fca.org.uk

Report it to Action Fraud
Phone **0300 123 2040** or visit www.actionfraud.police.uk

Contact your pension provider immediately
Especially if you’re in the middle of a transfer

Get in touch with The Pensions Advisory Service
Visit www.pensionsadvisoryservice.org.uk

Things to remember when setting up or transferring a pension

- Choose a company you know you can trust
- Understand how your pension works
- Know what you’re entitled to as a pension Member
- We’ve signed a pledge to combat pension scams – click here to find out more

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5 pension tips to make your life easier

1. **Register for My Pension Online (MPO)**
   Our online self-service portal allows you to view your benefits, update your contact details and add in beneficiaries - in just a few clicks.

2. **Don't rely on your work email address**
   Update your MPO account with a personal email address – because unlike your work email, it's is likely to stay with you for life.

3. **Transfer your old pensions**
   Typically, you only have one year to transfer any old pensions to your new LGPS scheme, but it can often be much easier than managing multiple pensions.

4. **Don't keep retiring a secret**
   The more notice you give your employer and colleagues, the more opportunity you'll have to enjoy your last days at work. Aim for at least 3 months' notice.

5. **Visit our website**
   We've added all kinds of useful information to our website over the last 12 months.
   Take a look and see for yourself at
   lppapensions.co.uk

Ask the expert!

Joe Kerry
LPPA Helpdesk Adviser

The LPPA Helpdesk handles over 8,000 enquiries from Members each month – over the phone and by email. We recently caught up with one of our Helpdesk experts, **Joe Kerry**, about what it's like to speak to Members every day and what pension insights he would like to pass on.

1. **How long have you worked on the Helpdesk?**
   Three years.

2. **What do you enjoy the most?**
   Coaching the new starters on our team and watching them develop into great agents. I also like speaking to Members and making a positive difference. I'm always happy when a Member leaves a call satisfied with the service.

3. **What's the hardest thing to deal with on the Helpdesk?**
   I'd say dealing with bereavement calls has been the hardest thing – especially during these unprecedented times. It's never easy speaking to someone who has just lost a loved one.

4. **What do you do to ensure a good customer experience?**
   I always make sure I communicate with Members in a friendly positive manner and think about the individual needs and requirements of each member. I always try to go the extra mile to ensure they are happy with our service.

5. **What tips do you have for our Members that could improve their experience?**
   The first thing I'd say is if you haven't done already, please sign up to My Pension Online. It's a straightforward process and could save you a great deal of time and effort.

6. **How can My Pension Online help Members?**
   The main thing is that it puts you in control of your pension. As well as updating your personal details, you can view your annual benefit statements and access a range of benefit calculators to help you plan for your future. Even if you're not ready to retire, it's never too early to start thinking ahead.

7. **What things are important for Members to remember?**
   If you're looking to top up your pension benefits, this should be done sooner rather than later. If it's less than a year before you retire, it's too late. Also, if you have recently joined the scheme, you may want to transfer other pensions into the scheme. If so, you need to do this within one year of your start date.

8. **Any other good tips?**
   The other thing I'd say is take a look at our **website**. Whether you are looking for general information or have a specific question, it's a great place to start. You can also download forms and other documents, without ever having to pick up the phone.

April

LPPA signs pension scams pledge

We have signed a pledge to help combat pension scams and continue to improve how we protect our Members. The pledge, set up by non-departmental public body, The Pensions Regulator, aims to encourage businesses to do what they can to protect pension scheme Members from scams.

LPPA launch retirement video

We have created a video to help Members through the retirement process. The video explains the steps you need to take to retire to make the process easier to follow, understand and complete.

We're shortlisted for Pensions Age award

We have been shortlisted for a Pensions Age Award for Administration Provider of the Year. The awards, organised by leading pensions magazine Pensions Age, celebrate excellence within the UK pensions industry. The Pensions Age Awards take place in London in July this year.

May

Janet speaks at PLSA conference

LPPA's Head of Risk and Compliance, Janet Morville-Smith, was selected to speak at the Pensions and Lifetime Savings Association's (PLSA) Local Authority Conference. Janet's session, McCloud – now the work begins, looked at the impact of the McCloud judgement and how it is likely to affect public sector pension schemes.

June

Helpdesk up for contact centre awards

Our Helpdesk has been shortlisted for two UK National Contact Centre awards. The team, which supports Members over the phone and via email, is up for Contact Centre of the Year and Team Manager of the Year. The award winners will be announced in London this September.

Jo shares insight on expert panel

LPPA's Managing Director, Jo Darbyshire, shared her insight into managing risk and fraud when she spoke on an expert panel for a webinar from companies Target and Ebury. Along with four other industry experts, Jo tackled questions on issues facing today's pension industry, such as the types and causes of fraud.

To read more about these stories and others, visit our news page:
lppapensions.co.uk/news

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In writing:
LPPA
PO Box 1383
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PR2 0WR

Please note: if you send us any correspondence by tracked mail you may receive a notice from Royal Mail saying they were unable to deliver the item. This is only because our mail is being sorted off site due to Covid-19. Rest assured we will still receive your mail so there is no need to call us we will action your mail in the usual manner.

Useful links & contacts

LGPS FAQs: www.lgpsmember.org/news/story/covid_19_member_qanda.php

COVID-19 information:

NHS: www.nhs.uk/conditions/coronavirus-covid-19

GOV.UK: www.gov.uk/coronavirus

LPP
Local Pensions Partnership
Administration

Brent	**Pensions Board** 22 July 2021
	Report from the Director of Finance

Revised Brent Pension Fund Pensions Administration Strategy

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One Appendix 1: Brent Pension Fund Administration Strategy July 2021
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.,uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Saagar Raithatha, Finance Analyst 020 8937 2817 Saagar.Raithatha@brent.gov.uk

1.0 Purpose of the Report

1.1 This report presents the revised Pensions Administration Strategy for the Brent Pension Fund.

2.0 Recommendation(s)

2.1 The board is asked to note the revised Pension Fund Administration Strategy, provide comments and approve consultation of this with employers in the Brent Pension Fund.

3.0 Background

3.1 A Pensions Administration Strategy (PAS) is a statement that outlines the policies and performance standards towards providing a high quality, effective and efficient pensions administration service. The aim of the strategy is to ensure that both the Fund and its employers are fully aware of their responsibilities under the Scheme and to set acceptable levels of performance.

3.2 Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders who are responsible for delivering the pensions administration service to meet the diverse needs of the membership. Therefore, it is important that it is developed in consultation with employers within the Fund to promote good working relationships, improve efficiency and ensure agreed standards in quality

3.3 Brent's Pensions Administration Strategy was last updated in 2018. Therefore, it is an opportune time to update the statement which has considered any relevant changes within the LGPS as well as provide further clarification on employer responsibilities. The ultimate aim of this strategy is to educate employers to provide accurate and timely data to the Fund which will improve the service provided to scheme members. The administering authority will seek, at the earliest opportunity to work closely with employers in identifying areas of poor performance and provide the necessary training and development to put in place appropriate processes to improve the level of service in the future. In the event of continued poor performance and a lack of sufficient evidence of measures being taken to achieve improvement by an employer, the Fund will seek to recover any additional costs arising and in some cases charge for other services (for example failure to pay over monthly contributions or failure to notify the Fund of key information such as starters and leavers). Charging is a last resort and the Fund reserves the right to levy a charge(s) on a scheme employer whose performance repeatedly falls short of expectations. In addition, it is The Pensions Regulators' expectation that actions such as this are taken for non-compliance of legal obligations.

4.0 Revised Pensions Administration Strategy

4.1 The revised PAS is attached in appendix 1. Since the last update of the Brent's Pensions Administration Strategy was in 2018, the following revisions to the strategy have been made:

- An update has been has been made to Section 2.4 Objectives. This section further demonstrates the importance of a Pensions Administration Strategy and elaborates on the benefits that can be achieved from effective and efficient administration.
- An update has been made to Section 3.3 Administrating Authority Functions to account for amended targets of the Fund's administration provider LPP.

- An update has been made to Section 3.4 Employer Responsibilities to provide further detail and clarity around deadlines and expected employer performance.
- An update has been made to Section 4 Staff Charging Schedule. Given the last update to this strategy was in October 2018, the staffing charges have been reviewed and updated to reflect inflation as well as updated costing measures.

4.3 It is envisaged that the revised strategy will be consulted with employers of the Brent Pension Fund, following approval from the board.

5.0 Financial Implications

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

6.0 Legal Implications

6.1 None arising directly from this report

7.0 Equality Implications

7.1 None arising directly from this report

8.0 Consultation with Ward Members and Stakeholders

8.1 Not applicable for this report.

9.0 Human Resources/Property Implications (if appropriate)

9.1 None arising directly from this report

Report sign off:

Minesh Patel
Director of Finance

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London Borough of Brent

Pension Administration Strategy (PAS)

July 2021

Contents

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.

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 this Pension Administration Strategy is to set out the quality and performance standards expected of the Fund and its scheme employers. The Administration Strategy will assist in clarifying the roles and responsibilities of both the Administering Authority and the Employing Authorities, i.e. those employers who participate in the Pension Fund.

This Pension Administration Strategy ensures 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 Pensions Administration Strategy has a number of specific objectives, including:

- Deliver an efficient, quality and value for money service to its scheme employers and scheme members

- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
- Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
- Set out clear roles and responsibilities for the Council and LPP and work together to provide a seamless service to Scheme employers and scheme members
- Continuously review and improve the service provided

The Pension Administration Strategy will meet those objectives by introducing a service level agreement between the "Fund" and scheme employers. This will subsequently improve the flow of information between Employers and the Brent Pension Fund (as Administering Authority), ensuring that obligations are met, and ultimately that costs are kept to a minimum with scheme members receiving accurate and timely payment/notification of their entitlements.

Effective and efficient administration of the pension fund can be achieved where all parties meet their respective responsibilities outlined in the Pension Administration Strategy. This in turn provides benefits to all stakeholders in the Pension Fund, the Administering Authority, employers and scheme members. The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

For the Administering Authority, effective administration means:

- It can fulfil its obligations under the regulations for administering the pension scheme
- Lower costs, improved use of resources
- Easier and swifter provision of services to employers and scheme members
- Improved communication between Administering Authority, employers and scheme members
- Improved monitoring of performance
- Clean data enabling faster and more accurate monitoring of the Pension Fund by the Fund actuaries
- Improved decision making in relation to policies and investments

For Employing Authorities, effective administration means:

- Greater understanding of the Pension Fund and its impact upon them as an employer
- Lower costs
- Improved communication
- Employee satisfaction
- Improved decision making for budgeting
- Fulfilling its obligations as an Employing Authority under the LGPS regulations

For Scheme members, efficient administration means:

- Accurate records of their pension benefits
- Earlier issuance of annual benefit statements
- Faster responses to their pension record queries
- Faster access to benefits at retirement
- Improved communications
- Enhanced understanding of the pension scheme and the benefits of being a member

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 administrating 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 Annex 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 administrating authority as defined by the LGPS regulations
Admission Agreements	Setting up and amendment of admission agreements
3rd 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 Administrating 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	Timescale (working days)	Target (% within timescale)
Admissions	10	98%
Transfers In	10	98%
Transfer Out	15	98%
Estimates employee	10	98%
Retirements	5	98%
Deferred Benefits	10	98%
Refunds	10	98%
Deaths	5	98%
Correspondence	10	98%
Aggregation	30	98%
Other queries to employer	15	98%

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 Annex 2.

Payments of monies due	Monthly contributions – on time by the 22nd of the following month at the latest and the correct amount Capital Sums –on time by the 22nd of the following month at the latest and the correct amount Single payments of contributions - on time by the 22nd of the following month at the latest and the correct amount AVC contributions – on time by the 22nd of the following month at the latest and the correct amount
Submission of year end return	You must submit your year end return by 30th April each year If you are unable to submit your year end return, LPP and Brent Pensions should be informed of any delay, the reasoning and the likely time frame that you can provide the return
End of year error rates Examples of end of year errors • 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	Respond to errors within 10 working days of notification 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

Response to other queries raised (e.g. by the LPP Pensions Services or Employer Services teams) 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	2 weeks from notification by the LPP Pensions Operations or Data Management teams If unable to respond in 2 weeks, then inform LPP of the likely timeframe that you can respond in and advise Brent Pensions of the delay
On-line access **Employer LPP portal "YourFund"**	Use of online Forms for all relevant tasks
Submission of joiners/leavers	Notification of joiners within 1 month of joining the scheme Notification of leavers within 1 month of leaving the scheme Notification of retirement within1 month prior to the last day of service
Notification of other changes during employment	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	LPP notified of contact change or new contact within 1 month via the employers contact form

3.5 Notes to Employer Responsibilities

3.5.1 The employer will nominate a person to act as the 'employer representative' and Brent Pension Fund's primary contact. The employer will ensure that changes of nominated person are notified to Brent Pension Fund immediately.

3.5.2 Great care must be taken to avoid breaking The Occupational Pension Schemes (Disclosure of Information) Regulations 1996. For example, where a retirement takes place before age 65, leaver notification must be received by Brent Pension Fund no later than one month after the date of retirement. The above timeframes therefore to allow us to ensure compliance with the Disclosure Regulations in relation to all scheme member matters.

3.5.3 Employers will provide LPP with a year-end data return as at 31 March each year in an approved format no later than 30 April* of that year. The return must be balanced by the employer against the employee and employer contribution payments made for that financial year.

*Please note that in the year of the Triennial Valuation, this date may need to be brought forward. Any such change will be notified in advance to your nominated person.

3.5.4 Under the Pensions Act, the Pensions Regulator may be notified if contributions are not received in accordance with the regulators code of practice, as described above.

3.5.5 The Fund in coordination with LPP will keep stakeholders informed of new developments by sending emails and newsletters, and by providing training, forums and workshops for Employers when new Regulations are implemented or are under consideration.

It is important that Employers ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes. There is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

4. Staff Charging Schedule

The Fund's staffing charges for work over and above the responsibilities of the administering authority as at July 2021.

VAT is charged on all applicable items.

Staffing level	Charge per day excluding VAT	Charge per hour excluding VAT
Admin Staff	£382.00	£55.00
Team Leader	£675.00	£96.00
Specialist	£722.00	£103.00
Manager	£998.00	£143.00
Senior Manager	£1,457.00	£208.00
Director	£1,717.00	£245.00

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 sometimes do not do 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 – Annex 1

As a last resort and after trying to assist the employer with support or training, the "Fund" reserves to 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 22nd Calendar month following deduction and 19th 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

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	Interest charged in accordance with regulation 44 of the LGPS administration regulations Charged at Bank of England Base rate plus 1%
Change of employer contact details - The "Fund" not notified of contact change or new contact within 1 month of alteration	£60 per occasion
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	£60 per occasion

Appendix 1 - 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 ("it's 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.

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(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 2 – 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 July 2021. 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.

End.

Brent	**Pension Board** 22 July 2021
	Report from the Director of Finance

LGPS Update

Wards Affected:	ALL
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Five Appendix 1: TPR New Code of Practice Consultation Appendix 2: Governance and Administration Survey 20-21 Appendix 3: LGPC Bulletin – April 2021 Appendix 4: LGPC Bulletin – May 2021 Appendix 5: LGPC Bulletin – June 2021
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.,uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Saagar Raithatha, Finance Analyst 020 8937 2817 Saagar.Raithatha@brent.gov.uk

1.0 Purpose of the Report

1.1 The purpose of this report is to update the committee 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.

2.0 Recommendation(s)

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

3.0 Detail

TPR New Code of Practise Consultation

3.1 The Pensions Regulator (TPR) has consulted on the draft content for the first phase of a new code of practice, which begins the process of replacing existing TPR codes of practice.

3.2 The new code of practice sets out expectations for the conduct and practice of those who must meet the requirements set in pensions legislation. The new code brings together 10 existing codes of practice, including incorporation of the changes introduced by the Occupational Pension Schemes Regulations 2018. TPR's reasons for replacing the existing codes included a need to remove codes which were outdated and did not reflect current expectations as well as addressing some inconsistencies found between the codes.

3.3 Appendix 1 comprises of the consultation document which provides the details of the transition to move from existing codes of practice towards shorter, topic-focused modules. Each proposed module sets out TPR expectations in relation to a topic. Modules also link to related topics within the new code and, in time, to guidance and external sources. The consultation document summarises which parts of the code apply to the LGPS and which are new.

3.4 The Scheme Advisory Board (SAB) are to respond to TPR on the consultation. Brent Officers are to await the issuing of the final code before reviewing its current adopted practices.

SAB LGPS Annual Report and Mortality Data

3.5 On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report include:

- Total membership up by 4.2% to 6.1 million members compared with 2019.
- Total assets decreased by 4.9% to £276 billion. These assets were invested in:
  68% pooled investment vehicles
  14% public equities

6% bonds
3% direct property
9% other asset classes.

- The Local Authority return on investment over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.
- The Scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners were paid in the year.
- LGPS liabilities were estimated at £291 billion on 31 March 2019. This equated to an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

3.6 Further details of the LGPS Annual Report 2020 can be found at: https://www.lgpsboard.org/index.php/2020-highlights

3.7 On 15 June 2021, the Scheme Advisory Board (SAB) in England and Wales updated its LGPS mortality data to the end of March 2021. The data covers all LGPS administering authorities in England, Wales, Scotland and Northern Ireland. The table below shows the mortality data.

LGPS Mortality - Pensioner Mortality as % of membership

	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
East England	0.21%	0.26%	0.39%	0.27%	0.23%	0.23%	0.17%	0.20%	0.25%	0.23%	0.24%	0.43%	0.34%	0.33%
East Midlands	0.28%	0.29%	0.41%	0.27%	0.23%	0.21%	0.19%	0.20%	0.19%	0.26%	0.26%	0.31%	0.33%	0.30%
London	0.30%	0.30%	0.49%	0.40%	0.32%	0.28%	0.25%	0.26%	0.27%	0.31%	0.31%	0.51%	0.43%	0.35%
North East	0.28%	0.25%	0.44%	0.36%	0.29%	0.12%	0.10%	0.24%	0.32%	0.36%	0.25%	0.45%	0.29%	0.31%
North West	0.29%	0.26%	0.42%	0.32%	0.30%	0.27%	0.25%	0.21%	0.31%	0.32%	0.28%	0.41%	0.36%	0.30%
Scotland	0.30%	0.29%	0.46%	0.45%	0.32%	0.30%	0.27%	0.37%	0.36%	0.37%	0.37%	0.49%	0.40%	0.41%
South East	0.27%	0.26%	0.37%	0.35%	0.16%	0.24%	0.22%	0.26%	0.25%	0.28%	0.51%	0.51%	0.39%	0.35%
South West	0.27%	0.24%	0.35%	0.22%	0.20%	0.16%	0.16%	0.18%	0.25%	0.24%	0.31%	0.31%	0.34%	0.30%
Wales	0.29%	0.30%	0.43%	0.26%	0.26%	0.22%	0.19%	0.24%	0.23%	0.30%	0.41%	0.41%	0.35%	0.25%
West Midlands	0.27%	0.25%	0.44%	0.29%	0.29%	0.24%	0.21%	0.23%	0.27%	0.28%	0.40%	0.40%	0.35%	0.32%
Yorks and Humber	0.25%	0.24%	0.37%	0.34%	0.26%	0.12%	0.17%	0.21%	0.26%	0.28%	0.35%	0.35%	0.28%	0.23%
Total (average across all regions)	0.28%	0.27%	0.42%	0.33%	0.26%	0.22%	0.21%	0.24%	0.27%	0.29%	0.34%	0.42%	0.36%	0.32%

3.8 The above data set was gathered by the secretariat of Local Government Pension Scheme Advisory Board (England and Wales) and the Local Government Pensions Committee of the LGA. The table shows total deaths as a percentage of pensioner membership and do not account for cause of death.

3.9 The impact of COVID-19 has been unprecedented in recent times, with total deaths last year and this year significantly greater than what would be expected based on previous years' experience.

3.10 However, as has been widely reported, COVID-19 has not affected all groups of people equally. For example, older age groups and those with underlying health conditions have seen higher COVID-19 death rates than other groups. There has also been regional variation in infection levels, with London in particular seeing higher infection rates than other areas of the country.

Unfortunately, months of April 2021 and January 2021 have seen higher mortality rates leading to increased death cases for pensions administrators across LGPS to manage.

McCloud Case

3.11 At the August 2020 Pension Board meeting, Brent officers updated Board members on the McCloud case. It was reported that on Thursday 16th July 2020, MHCLG published a consultation on the proposed remedies for the LGPS to remove age discrimination.

3.12 In summary, the remedy extends the 'transitional protections' underpin (that was promised to active members in 2012 who were within 10 years of normal retirement age) to all other active members, regardless of age. The underpin gives the member the better of career average revalued earnings (CARE) or final salary benefits for the eligible period of service. In summary, the key features of the underpin are as follows:

- Eligibility is restricted to members who were active in the LGPS on 31 March 2012 and have accrued benefits since 1 April 2014;
- The underpin period applies between 1 April 2014 and 31 March 2022, but ceases when the member leaves active membership or dies in service; and
- The final salary for comparison purposes applies at the point that the member leaves active status or reaches age 65.

3.13 On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirmed that:

- the age requirement for underpin protection will be removed;
- the remedy period will end on 31 March 2022;
- the underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022;
- there will be two stages to the underpin calculation: the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier. The second stage will be applied when the benefits are paid; and
- the regulations will be retrospective to 1 April 2014.

3.14 Whilst the effective date is welcome in terms of allowing more time to implement the changes, it adds to the amount of retrospective leaver calculations that will require review from 1 April 2014 to 31 March 2023.

3.15 It is expected that MHCLG (Ministry of Housing, Communities and Local Government) will issue a full response to the consultation and publish draft regulations later this year. Officers are working together with the Fund's actuary, Hymans Robertson and the Fund's admin provider LPP to further work through the details of the consultation and the draft regulations, once published.

Exit Payment Data

3.16 On 27 May 2021, MHCLG wrote to chief financial officers of councils and combined authorities in England, letting them know about a new requirement to provide data on exit payments. The data will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector.

3.17 Councils were asked to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit for 2014/15 to 2020/21 by the end of June 2021. The Fund is pleased to report successful submission of this data before the deadline.

Governance and Administration Survey

3.18 In June 2021, The Pensions Regulator's (TPR) published the Public Service Pension Scheme (PSPS) Governance and Administration Survey 2020-21. The survey was undertaken by OMB Research, an independent market research agency, on behalf of TPR.

3.19 The primary objective of the survey was to track governance and administration practices among public service pension schemes. In addition, the 2020-21 survey also included new questions on schemes' response to the COVID-19 pandemic, awareness and perceptions of the pensions dashboards, and the actions taken by Local Government schemes in relation to climate-related risks and opportunities.

3.20 The survey was conducted online between January and March 2021, and was completed by representatives of 193 public service pension schemes out of the existing entirety of 206.

3.21 The results show improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time. Unsurprisingly, most schemes identified implementing the McCloud remedy as a significant risk. Finally, Governance has generally stood up well given the unique challenges the last year has presented. Full details of the results are set out in Appendix 2.

4.0 Financial Implications

4.1 This report is for noting, so there are no direct financial implications.

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

Consultation document

The new code of practice

March 2021

Contents

1. Scope of the consultation

We are consulting on the draft content for the first phase of our new code of practice. This begins the process of replacing our existing codes of practice (COPs). The new code incorporates changes introduced by the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 (the governance regulations).

The COPs that have been replaced by the new code in this phase are shown on page 8.

We welcome comments on any aspect of the draft content of the new code and have provided specific questions on certain areas of interest.

The new code is designed to be a web-based product. Therefore, the appearance of modules online may vary from the way they appear in the consultation documents. An online demonstration version of the new code is available for users during this consultation.

You can submit feedback on issues such as the web design, navigation and functionality of the new code via the online demonstration version. We know from stakeholder feedback that users value ease of use, simple navigation and an efficient search. We are developing the online functionality alongside this consultation and further user testing will be taking place to ensure it will meet users' needs. If you would like to be involved in user testing, contact: **webfeedback@tpr.gov.uk**

Following the consultation, we will consider any representations made on the draft content and make any appropriate changes before laying the new code in Parliament. We will also be undertaking work to adjust guidance in relation to the new code.

Who is this consultation for?

We are interested to hear from pensions professionals who provide support and advice in relation to understanding and meeting the expectations we set in our COPs.

We value responses from trustees and managers of occupational and personal pension schemes and scheme managers, advisory boards and pension boards of public service pension schemes. We are also particularly interested to hear from non-professionals, such as member-nominated and lay trustees, and whether they find the new code easier to use and understand.

Responding to the consultation

We have provided forms for responses which you can complete electronically and submit to us. It is our strong preference that respondents use the forms which can be found at: www.tpr.gov.uk/en/document-library/consultations/new-code-of-practice. We can accept responses in other formats, but you should retain the same structure as the forms. You can send your response:

- by email to: newcodeofpractice@tpr.gov.uk
- by post to: **Nick Gannon**, Regulatory Policy, The Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW

Due to the current national lockdown, there may be a delay in postal communications and any responses arriving after the closing date may not be considered.

We may need to share any comments you send us within our own organisation or with other government bodies, including the Department for Work and Pensions (DWP). We may publish comments as part of our response to the consultation.

> If you want your comments to remain anonymous, please state this explicitly in your response. If you want your response to be confidential, please let us know and we will take the necessary steps to meet your request.

However, please be aware that, if we receive a formal request under the Freedom of Information Act, we may have to make your response available. When responding, please advise whether you are responding as an individual or on behalf of an organisation (and, if the latter, which organisation).

Closing date

This consultation document was published on **17 March 2021**. The closing date for responses is **26 May 2021**.

Government consultation principles

For the purposes of this consultation paper, we are following the government's consultation principles at: www.gov.uk/government/publications/consultation-principles-guidance

The key principles state that consultations should:

- be clear and concise
- have a purpose
- be informative
- be only part of a process of engagement
- last for a proportionate amount of time
- be targeted
- take account of the groups being consulted
- be agreed before publication
- facilitate scrutiny

2. Background

The governing bodies (see **section 5: Explanatory notes for other content**) for more information about our use of this term) of workplace pension schemes play a pivotal role in achieving good outcomes for savers. Running a pension scheme is an increasingly demanding task in an environment that is constantly changing and growing in complexity.

The DWP chose to transpose the changes from the second European Pensions Directive (IORP II) to UK legislation in the governance regulations. The governance regulations came into effect from 13 January 2019 and required us to change some of our existing COPs. They also required us to introduce new expectations in some areas, such as the introduction of an "effective system of governance". The new code addresses those requirements.

It is important to note that the governance regulations only transpose certain aspects of IORP II into UK law. Elements of IORP II that were not transposed are considered to already be present in UK law.

The governance regulations set out measures to improve the standards of governance across pension schemes. Good governance is key to a well-run scheme. With increased member engagement and the need to publish additional information about schemes, the public scrutiny of pension schemes and those running them will increase. Growing concerns about climate change and developments such as the pensions dashboards will also highlight the need for good scheme governance.

The landscape of pension saving has seen seismic changes over the past decade. The continuing shift from DB to DC accrual, the rise of master trusts, and success of automatic enrolment have each created new pressures on those governing pension schemes. The number of pension savers has increased massively, as have the standards expected of those running the schemes. Trustees and scheme managers need to have the right people, skills, structures and processes in place to facilitate scheme operations, enable effective and timely decisions, and to manage risks appropriately. Our COPs and guidance provide the support needed to be able to achieve this.

The purpose of codes of practice

Our COPs are not statements of the law, except in certain circumstances set out in legislation. Instead, our COPs set out our expectations for the conduct and practice of those who must meet the requirements set in pensions legislation.

In most cases there is no specific penalty for failing to follow a COP, or to meet the expectations set out in it. However, we may rely on COPs in legal proceedings as evidence that a requirement has not been met. In those situations, a court must take a COP into account when considering their verdict. Similarly, if we find grounds to issue an improvement or a compliance notice, they may be worded in relation to a COP issued by us.

3. The new code of practice

When assessing our COPs for changes needed to implement the governance regulations it became clear that they did not meet the current needs of schemes.

Several COPs are now out of date and there is duplication of content between COPs and guidance. Furthermore, the 15 COPs are not always easy to navigate, and the interactions between them and related guidance are not always apparent.

There is a clear need for our COPs to support modern scheme governance. To meet the needs of schemes and their advisers, our COPs must be easier to access, understand, and act upon. To address these issues, we have taken the decision to combine our existing COPs into the new code.

We have broken down the themes from our existing COPs to form shorter, topic-focused modules. Each module sets out our expectations in relation to a topic. Modules also link to related topics within the new code and, in time, to guidance and external sources.

Moving our existing COPs to the new code is a significant undertaking in terms of time and resource. We have therefore chosen to phase the transition. This phasing will allow a full reconsideration of our COPs and associated guidance. A project to review our guidance in line with the new code will start later in 2021. Phasing also allows additional time for the substantial work needed to redesign our website. We do not currently have an end-date for this work, instead we see the code as being a living product that will go through an ongoing process of review and amendment to reflect legislative and policy change.

This first phase of the new code comprises 51 modules. These represent the content of 10 of our existing COPs. By removing duplicated and unnecessary text, the new code is considerably shorter than the original content.

Our approach to the new code reflects the changes we have made as an organisation. It also recognises feedback from the pensions industry about the need for us to be clearer in setting our expectations.

Codes transposed

The table below sets out our existing COPs and shows which of them are being replaced by the new code.

Code of practice	Code in force	Part of new code
01: Reporting breaches of the law	April 2005	✓
02: Notifiable events	April 2005	×
03: Funding defined benefits	July 2014 (GB) July 2015 (NI)	×
04: Early leavers	May 2006	✓
05: Reporting of late payment of contributions to occupational pension schemes	September 2013	✓
06: Reporting of late payment of contributions to personal pension schemes	September 2013	✓
07: Trustee knowledge and understanding (TKU)	November 2009	✓
08: Member-nominated trustees/member-nominated directors – putting arrangements in place	November 2006	✓
09: Internal controls	November 2006	✓
10: Modification of subsisting rights	January 2007	×
11: Dispute resolution – reasonable periods	July 2008	✓
12: Circumstances in relation to the material detriment test	June 2009	×
13: Governance and administration of the occupational trust-based schemes providing money purchase benefits	July 2016	✓
14: Governance and administration of public service pension schemes	April 2015	✓
15: Authorisation and supervision of master trusts	October 2018	×

Once the new code comes into force, the COPs that are being replaced will be revoked in their entirety. Our expectation is that the remaining COPs will be brought into the new code in due course. We also intend to include planned revisions to existing COPs (such as the DB funding code) within the framework of the new code.

We have provided a reference table showing the transposition of existing COPs to the new code at: **www.tpr.gov.uk/en/document-library/consultations/new-code-of-practice/annex-2-where-the-new-code-of-practice-modules-come-from**

Regular updates

The regulations that will arise from the Pensions Schemes Act 2021 are a clear indication that the legislative landscape for pensions changes frequently. Natural changes to schemes as some reach maturity, and as provision shifts to new types of scheme, will also mean that our expectations will need to change and adapt. This means that the new code will also need to change and adapt to reflect the changing landscape. We believe the new code will be easier for us to maintain and update as required and we intend for the new code to have a predictable update cycle. This will provide governing bodies and advisers with a degree of predictability about future code revisions.

Although the new code may be simpler to update than older COPs, we will not deliver updates without warning. All changes to our COPs require consultation and Parliamentary approval before they come into force. These requirements will not change with the new code. Schemes and advisers will still have time to comment on, and adapt to, new expectations.

The Pensions Schemes Act 2021 has introduced new powers for us, a new scheme type, and will deliver regulations affecting transfers, and the way in which governing bodies consider climate change. Each of these is likely to introduce measures that will lead to new or updated code elements. We also have five existing COPs to transpose to the new code. We expect the first updates to the new code to include modules relating to DB scheme funding, arising from the recently closed consultation. There are no modules in the material in this consultation that draw from provisions in the Pension Schemes Act 2021. Necessary changes arising from the Act will arrive in later phases of the new code.

Questions about updates

1. We welcome any observations about a possible regular process for issuing updates to the new code. For example, should updates be annual, or at longer intervals? Please advise any concerns about regular updates.
2. We would also be interested to hear about any topics, besides those described above, that we should prioritise for inclusion in the new code.

Presentation of expectations

Our COPs set out the way we expect schemes to comply with the law in certain areas. This will continue to be the case in the new code.

We know from discussions with stakeholders that finding specific expectations in any of our current COPs is often difficult. Similarity, repetition and separation of COPs can potentially introduce conflicting expectations. All these factors can make it difficult for governing bodies to meet our expectations.

The new code takes a fresh approach to setting out our expectations and adopts a simpler method where most expectations now appear in lists. These lists separate legal duties and our expectations of how governing bodies should meet them. It is important to note that none of our codes cover all aspects of pensions legislation. Therefore, governing bodies should look beyond our codes, and seek the help of advisers, to help them understand all their legal obligations.

We have adopted government communication principles in our use of language to help users distinguish between legal duties and our expectations. In the new code, legal duties are shown by using the word 'must', whilst our expectations use 'should'. We use 'need' where there is no expectation or legal requirement in place, but that process is necessary to allow a scheme to operate. In some modules, we highlight expectations as a matter of best practice for certain schemes. We have also extensively rewritten the new code to make our expectations clearer.

Setting expectations in lists may tempt some to consider them to be tick-box governance requirements. This is not our intention, and we do not believe that governance should ever be tick-box. We believe that by clearly presenting our expectations we make it simpler for governing bodies to consider whether and how they are meeting them. The lists should prompt discussion and consideration of the processes and policies, and the assessment of whether they exist and are functioning as intended. The expectations in each list are typically set out sequentially. This allows users to progress through stages of a process in an ordered way. Governing bodies still have the freedom to choose to prioritise specific measures above others. This may be because some are more urgent or important. For example, prompt and accurate processing of contributions will probably have a higher priority in a large DC scheme than a small closed DB scheme. Whatever the focus of improvement work, governing bodies should always ensure that they comply with legislative requirements.

The format of the new code will also help us in any future regulatory interactions. We will remain a pragmatic regulator and the new code will help us to work with schemes where we identify matters that fall short of our expectations.

The new code will still provide flexibility for those running a scheme to operate in a way that is appropriate for the circumstances of their scheme. Certain scheme-specific circumstances may lead schemes to meet our expectations in a way not specified in the code.

Guidance

In time, the new code has the potential to bring our codes, guidance and the Trustee Toolkit together. However, full integration will require an audit and review of around 200 pieces of existing guidance, across various phases of new code development. This means there will be a period when the new code and guidance are not as closely related as will eventually be the case.

We have identified certain pieces of guidance that are immediately affected by the new code. This is particularly the case in respect of guidance that relates to specific paragraphs in a related COP. The redesign of these pieces of guidance is being prioritised to ensure they fit alongside the new code.

Our review of guidance will mean we will no longer have categories such as scope guidance or code-related guidance. All guidance will be readily distinguishable from the content of the new code. However, some guidance, such as that developed to assist employers with their automatic enrolment duties, will remain outside of the scope of this project.

Question about guidance

Which pieces of guidance, or topic areas, should be prioritised for updates following the introduction of the new code?

4. New governance expectations

The new code is largely a consolidation and re-presentation of the existing codes it replaces. One of the principal aims of the new code is for all schemes to be held to comparable standards when allowing for differences in the underlying legislation. The governance regulations have given us a much greater scope to set expectations around behaviours of running pension schemes. The scope of the governance regulations is not universal however, and our expectations of our regulated community are not uniform.

Governing bodies

Throughout the new code, we have used a new term to provide consistency when referring to the trustees or managers of occupational pension schemes, managers of personal pension schemes, and scheme managers and pension boards of public service schemes that we regulate.

The term we are using is 'the governing body'. The need for a single term was apparent from discussions with stakeholders. These revealed that using a single description, for example 'trustee', could disengage those who were not trustees. Similarly, using the full list of possible audiences, as above, is unwieldy when writing a concise code.

The roles and responsibilities of the various types of governing body should be understood by those performing them. Where there is any doubt in a scheme as to where a responsibility or accountability lies, the governing body should take steps to establish the position.

Within each module, we have attempted to ensure that any responsibility is clear to those on whom it falls. Governing bodies should then decide if they are within that audience. We particularly welcome comments to this consultation where applicability is not clear to the reader.

During the development of the new code we have received requests for a Local Government Pension Scheme (LGPS) specific version of the code. We have examined this request but, due to the various management structures that exist across the funds and their associated authorities it would be impractical to do so. Governing bodies of LGPS funds should consider their own governance arrangements and where responsibilities ultimately sit within them.

Governing bodies continued...

In schemes in the private sector, the same principles of delegation apply. Trustees or managers may delegate certain activities or functions to others, either employed by or providing services to the scheme. In each case, the accountability remains with the trustees or scheme manager.

Differences in legislation may lead to different expectations on certain schemes according to type or size. Some expectations, such as those associated with the DC chair's statement, are only applicable to specific audiences. Where there is only a single intended audience, we have used a specific term in the relevant module, for example 'the trustee', instead of 'the governing body'.

A table showing each module and those to whom it applies is in Appendix 1.

Question about governing bodies

Do you understand the term "governing body"? Would another term work better?

Effective systems of governance

One of our primary aims as a regulator has been to improve the governance of pension schemes. The governance regulations have introduced a new requirement for most occupational schemes to have and operate an effective system of governance. Without the code being in place, it is difficult for schemes to understand what our expectations might be.

In our efforts to establish what an effective system of governance might be, we reviewed a great deal of existing material that covered relevant topics. The scope of governance and the related regulations is broad. To provide governing bodies with a clear indication of our expectations in this area, we have created a module that provides links to sections of the new code that describe a minimum effective system of governance.

Schemes that do not need to operate an effective system of governance may still find they are subject to comparable legislation that requires them to follow expectations set out in certain various modules. Governing bodies of other schemes may wish to follow the principles of an effective system of governance as an example of best practice. The Systems of governance module provides a useful starting point for a thorough review of the processes and procedures of any scheme.

Question about effective systems of governance:

Is it clear where all the features of an effective system of governance are covered in code from the content of this module? If not, what needs to be clearer?

Internal controls

Perhaps the single most important aspect of establishing effective systems of governance is the fact that they hinge on internal controls. Most governing bodies are not directly involved in every aspect of the day-to-day operation of their scheme. They instead delegate operational tasks to an internal administration team or outsource to professional service providers. However, regardless of delegation, the governing body retains accountability for those functions. All governing bodies should have procedures for the operation of their scheme. Similarly, all governing bodies need policies and processes that give them assurance that all the functions of the scheme are operating correctly.

Internal controls are the policies, processes and procedures carried out in running the scheme. They are also the checks and balances that ensure those processes are operating correctly. Governing bodies can assure themselves that their scheme is operating correctly by having robust and measurable internal controls. Internal controls apply equally to services provided in-house and externally. Internal controls are also an important part of assessing and managing the risks that face a scheme.

It would be highly inadvisable, and almost impossible, to operate any scheme without internal controls. We believe almost all schemes will have some controls in place, even if they do not recognise them as such. However, it is likely that many schemes will not have the full suite of internal controls that we consider they should have.

To help governing bodies establish relevant internal controls, we have created several modules within the new code focusing on risk management and specific controls that should be in place. We do not go into the details of how any control should operate. It is for the governing body, and their advisers, to determine the most appropriate controls for their scheme and the adequacy and effectiveness of any control they implement.

Question about internal controls:

The expectations set out apply differently to different schemes. Is this clear from the module, and are governing bodies provided with enough leeway to address the expectations in the most appropriate way for their scheme?

Own risk assessment

The governance regulations introduce another new requirement for private sector schemes with 100 or more members. This is the introduction of the Own Risk Assessment (ORA). When transposing this requirement from IORP II, the UK chose to stop short of requiring the Solvency II type assessment of the scheme's finances originally proposed. Our interpretation of an ORA recognises that pension schemes face a wide range of risks, not just those related to investments.

The ORA we propose builds on the principles set out for the effective system of governance. The ORA is then a regular process that requires the governing body to assess the effectiveness and risks of the effective system of governance. This is distinct from the normal risk management processes for the scheme. The ORA is therefore a process for assessing the management of risks.

The ORA should not be perceived as an item of tick-box compliance, or an unnecessary burden. We propose the ORA as a way for governing bodies to demonstrate that they have fully considered the various risk management processes – external, financial and operational – that their scheme faces. The ORA is a tool to focus governing bodies on their policies, processes and procedures in a way they may not have done before.

The governance regulations do not require publication of the ORA, or for it to be sent to us. We do expect schemes to record their ORA, and the first such exercise may be a significant piece of work. Many schemes will already have broadly comparable review processes in place already, while others will have to expand their processes considerably. However, we accept that the circumstances of each scheme will affect the risks it faces. It is therefore possible for governing bodies to tailor their ORA according to the size, scale and complexity of their scheme.

Those schemes required to produce an ORA will have 12 months from the date the new code comes into force to document their first assessment. The ORA then becomes an annual process, or whenever there is a material change in the risks facing the scheme or its governance processes.

As with effective systems of governance, we have created a module that acts as an index for the elements we expect the ORA to consider.

Questions about own risk assessments:

1. Are there any improvements we could make to our suggested ORA that would make it more valuable for governing bodies?
2. Is the cycle suggested for the review and update of the ORA appropriate given the subjects that it covers?

5. Explanatory notes for other content

In this section we provide a rationale for new or amended expectations. As noted above, a key aim for the new code was to create a consistency in expectations between different schemes types. This is subject to the different legislative requirements placed on different schemes according to their type, nature or size.

We are responsible for the regulation of a wide range of different scheme types within the private and public sectors. Many schemes resist simple classification as they incorporate different benefit types. Several of our existing COPs focus on a specific scheme type. This meant it was easy to overlook expectations set in other COPs. For example, we are aware that some schemes with a 'dedicated' code were unaware that they should be following the provisions in the codes dealing with maintaining contributions. For all the differences between schemes, many expectations set across our COPs are very similar. This duplication of content created longer codes, reduced readability and risked creating inconsistency of expectation.

Although many of the expectations in the new code have come directly from the existing codes, we have taken the opportunity to ensure they are up-to-date and consistent. In some areas, this has meant we have needed to create new content and expectations, or we have broadened the scope of existing content to cover a larger number of schemes. Some wording may be recognisable as originating from a particular COP. This does not imply that it only applies to one type of scheme. It is simply us choosing the best existing form of words for that expectation.

Throughout the new code, we have sought to improve consistency and clarity where the same or comparable legal requirements exist. Acting in this way simplifies knowledge required for those working with more than one scheme. It also enables us, where necessary, to use our powers in an appropriate and timely fashion. The work to create the new code has not moved expectations away from their legal underpins. Nor are we expanding the scope of our regulatory remit. Some scheme types will still face different expectations because the law applies differently to those schemes. In time, it may be possible to filter modules so that only content directly applicable to the user's scheme is displayed.

There are some expectations that apply to only a subset of schemes. Where these might be useful for other schemes, we have suggested that they are adopted as best practice.

The table shown in Appendix 1 illustrates each module and its current audience. It also shows whether content is new to that audience or taken from an existing code.

Our expectations are set at a level we consider to be appropriate for any well-run scheme. They do not represent a gold standard or are not intentionally difficult to meet. It is important to repeat that most expectations set out in the new code already exist in our COPs. Unless an expectation is new, such as the ORA, schemes should already be meeting the provisions set out in the new code.

Public service schemes

COP 14 (Public service pensions) was published in April 2015 when we took on the responsibility of regulating public service schemes. Since then, these schemes have developed their practices significantly. They have made huge strides towards consistently delivering the governance we expect of them. Our understanding of public service schemes has also grown, and the creation of the new code provides us with an opportunity to update some of our expectations.

The new code seeks, wherever possible, to set comparable standards for schemes of all types. This is equally true of public service schemes. However, public service schemes do not have identical legislation to schemes in the private sector. Consequently, there is some divergence in the exact expectation we have placed on public service schemes. This is particularly true in the case of the modules dealing with internal controls, where the legislative standard is different. In practice, while this means that our expectations of the presence of controls is the same as for private sector schemes, their operation may be different.

As with other codes that dealt with a specific audience, the expectations we had for public service schemes in COP 14 are comparable to other types of schemes. Therefore, while the new code sets out expectations in a different way, we believe those expectations will be familiar to public service users.

Master trusts

Master trusts are directly authorised by us and need to keep us satisfied that they meet the criteria to be authorised. The framework for that authorisation is the relevant legislation, COP15 and associated guidance. The review of the authorisation process identified areas within COP15 that could have been clearer and therefore require some modification. We intend to transpose and update COP15 to the new code, but this is not happening in the current phase. Elements of the new code are relevant for master trusts and they should also continue to refer to COP15 until we transpose it to the new code.

Cyber security

One subset of internal controls receiving greater detail in the new code is that of cyber security. With most scheme records held digitally, the security and maintenance of scheme data has become a significant issue. Cyber security is a topic that we have already addressed in guidance. However, survey data indicates that cyber security processes are still rare. To ensure that more schemes address this pressing issue we have taken the opportunity to reinforce our guidance and place direct expectations on schemes. The expectations apply only to certain schemes, but we strongly encourage all schemes to adopt as many of the expectations as possible.

Environmental, social and governance (ESG)

Another area introduced to the new code is the stewardship of the scheme's investments. Attention has, in recent years, increasingly turned to the way schemes manage their money. It is no longer possible for schemes to seek returns from their investments without considering the social or environmental costs that they may facilitate. Pension schemes should seek to exercise the significant rights they have as shareholders and bondholders of their investee companies. Governance of investments, and an awareness of the activities of investee companies, will influence the financial returns of the scheme. Pension schemes have longer-term investment horizons than many other investors. As concerns about matters such as climate change and social responsibility grow, the long-term interests of scheme members will be served by governing bodies who are active stewards of their investments.

The new code introduces two modules that address matters in these areas. Stewardship focuses on the governance responsibilities that come with financial investments. The second module relates to climate change and the risks and opportunities it presents.

Financial transactions

As noted elsewhere, legislation sets different requirements for different scheme types. However, most of our expectations in a given area, such as financial transactions, are common to all. Regardless of whether they are DB, DC, or hybrid, all schemes need processes for handling financial transactions.

DC schemes are required by law to maintain processes around core financial transactions. We believe the principles that apply to DC schemes are equally valuable to all schemes and we have examined our ability to set comparable expectations on other schemes. Having satisfied ourselves that this is possible, the module on financial transactions contains expectations that apply to many more schemes.

Timescales

One of the functions of any of our COPs is to provide our interpretation of certain timescales set in legislation.

For example, various pieces of legislation require governing bodies to do things 'regularly'. Some regular events follow payrolls or investment cycles, others by valuations, annual accounts or external events. Where there is an obvious link of this sort, our intention has been to align our expectation of regularity with those cycles. Where there is no obvious operational link, we have typically set our expectation of a regular event to be annually.

Wherever possible, we have maintained the timescales set in existing COPs. This is so schemes that may be considering more pressing matters do not need to adjust established procedures. However, when developing the modules we have noted that certain timescales set out in in COPs 5 and 6 (maintaining contributions) were potentially harder to meet than had been intended when viewed as part of a procedure. We have therefore taken steps to amend them for consistency and to match current our operational expectations.

Northern Ireland

Pensions legislation in Northern Ireland (NI) is separate, but comparable, to that in Great Britain. The new code contains various references and links to legislation in Great Britain and legal references to NI legislation in the same footnotes as for the rest of the UK.

6. Equalities

As part of our regulatory work and business functions, TPR is subject to the Public Sector Equality Duty (PSED). The PSED ensures that public bodies have due regard to the needs of all individuals in their day-to-day work – in shaping policy, in delivering services, and in relation to their own employees.

The legislation relates to specific “protected characteristics” set out in the Equality Act 2010: disability, gender re-assignment, pregnancy and maternity, age, race, religion or belief, sex, and sexual orientation matters.

Question about equalities

We would be interested to understand if there are any aspects of our expectations that users think would discriminate against, disadvantage or present an additional or exceptional challenge to anyone with a protected characteristic.

7. Status of other consultations

The new code will continue to grow and adapt over time. Modules representing the content of the remaining five existing COPs will be added in future phases. The current DB funding code is already being revised and the modules that relate to that topic are expected to be ready for consultation at the end of 2021.

It is important to note that at this stage we are not adopting into the new code any of the findings from our recent consultation on the future of trusteeship. Events over the past year have delayed this work and it will be recommenced in due course.

We will also be adding content relating to the Pensions Schemes Act 2021, and other forthcoming legislation as it becomes ready. Future revisions may take the form of additional or updated modules, or a mixture of both. We will be consulting on future updates to the new code at the appropriate times.

8. Consultation questions

We are consulting on a significant revision to our existing COPs. We therefore want to give respondents every opportunity to comment on as much or as little of the code content as they wish to.

As well as the questions presented in this paper, we are also asking questions, listed below, which apply to every module. We do not expect respondents to answer each question for every module. We do not require any respondent to specify “no comment” to a question where they have no comment to make. Respondents can make comments about as many or as few modules as they wish.

The consultation covers only the content of the new code as presented online at: **www.tpr.gov.uk/en/document-library/consultations/new-code-of-practice**. We welcome general comments about the principles on which the new code is based. Space for general comments is provided at the end of **Response form 1: General questions about the new code of practice**.

The following questions are raised in relation to each module and are replicated in the relevant response forms.

Universal questions for each module

1. Is the title a fair reflection of the content provided within the module and, if not, what would be a clearer description of this content?
2. Is it clear from the module what our expectations are, and does this content provide governing bodies with a clear sense of how expectations may be applied to their scheme’s own circumstances?
3. Has the subject matter of the module been covered in sufficient detail and is there any further information or guidance that would assist governing bodies in meeting our expectations?
4. Are there any expectations that may be considered a disproportionate and/or unreasonable burden for a well-run scheme, or for certain types of scheme or governing body?
5. Do you have any further comments on the module that have not been covered by the questions above?

There are specific questions in relation to the matters discussed in this consultation paper, which are restated below.

General questions

Updates

We welcome any observations about a possible regular process for issuing updates to the new code. For example, should updates be annual, or at longer intervals? Please advise us of any concerns about regular updates.

We would also be interested to hear about any topics, besides those described above, that we should prioritise for inclusion in the new code.

Guidance

Which pieces of guidance, or topic areas, should be prioritised for updates following the introduction of the new code?

Governing bodies

Do users understand the term “governing body”? Would another term work better?

Public Sector Equality Duty (PSED)

We would be interested to understand if there are any aspects of our expectations users think would discriminate against, disadvantage or present an additional or exceptional challenge to anyone with a protected characteristic.

If you need extra space when responding to these questions, or have any general comments to make, please use the space provided at the end of **Response form 1: General questions about the new code of practice**.

Module-specific questions

The following questions are in relation to specific modules in the code. Space to respond to these questions is provided at the appropriate point in the relevant response form.

Maintaining contributions (ADM008)

Are the timescales set out in this module appropriate with regards monitoring the payment of contributions?

Refunds (CAD016)

This module refers to the underlying legislation extensively. Does it provide enough information on the legislative requirements and our expectations?

Knowledge and understanding (TGB017 and TGB005)

The expectations in these modules are based on long-standing existing guidance. Do the expectations provide a new member of a governing body with sufficient knowledge and understanding to enable them to fulfil their role?

Effective systems of governance (TGB046)

Is it clear where all the features of an effective system of governance are covered in the code from the content of this module? If not, what needs to be clearer?

Internal controls (TGB032)

The expectations set out apply differently to different schemes. Is this clear from the module, and are governing bodies provided with enough leeway to address the expectations in the most appropriate way for their scheme?

Own risk assessment (TGB045)

Are there any improvements that we could make to our suggested ORA that would make it more valuable for governing bodies?

Is the cycle suggested for the review and update of the ORA appropriate given the subjects that it covers?

9. Impact assessment

The DWP[1] has estimated costs of complying with the changes to our codes of practice to align this with the requirements of IORP II. They considered the range of potentially acceptable methods of compliance that would apply to schemes of different size and complexity, as well as the extent to which relevant legislation or COPs already apply to different types of schemes.

They concluded that the UK was already largely compliant with IORP II and that transposition would not cause much additional burden on industry. They estimated costs were:

- £5.1 million in year 1
- £2.7 million every subsequent third year (years 4, 7, 10)

The estimated annual net direct cost to business over a policy period of 10 years is £1.3 million and so will qualify for self-certification.

In harmonising expectations between schemes, the new code goes further than the DWP had envisaged in its impact assessment. This may lead to higher than anticipated costs in year one as governing bodies become used to the expectations in the new code. However, we expect that these costs will be substantially mitigated in subsequent years by the new format of the code and its ease of use.

We will be liaising with the DWP following this consultation and may seek further external evidence to support our assessment of regulatory burden and Business Impact Target obligations under the Small Business, Enterprise and Employment Act 2015 in relation to the new code.

1 The DWP's impact assessment of the Occupational Pension Scheme (Governance) (Amendment) Regulations 2018 can be found at: http://www.legislation.gov.uk/uksi/2018/1103/pdfs/uksiod_20181103_en_001.pdf

Appendix 1

The table below provides an indication of the modules where users may find new content that relates to them. We have categorised this in terms of the main scheme types; defined benefit, defined contribution and public service. The legislative basis for each module may mean that it does not apply to certain schemes within that group.

Where a module is shown to contain "Existing" content, updates may still mean that new expectations are presented within the module, or that they are presented in a different way. Such changes are unlikely to be significant and will have been introduced for consistency. Similarly, some content marked as "New" will be existing content that is new to that audience. This is most obvious where it is shown to be existing content for other scheme types.

Modules marked with "DNA" do not apply to that audience. Modules showing "Best Practice" also do not apply to that audience, but consideration should be given to following them for best practice purposes.

The governing body					
		In relation to:			
Module number	Module title	DB	DC	PS	Comment
TGB001	Role of the governing body	New	Existing	Existing	
TGB014	Recruiting to the governing body	New	Existing	Existing	
TGB044	Member-nominated trustee appointments	Existing	Existing	DNA	
TGB015	Role of the chair	Existing	Existing	Existing	
TGB006	Meetings and decision-making	New	New	New	
TGB016	Remuneration policy	New	New	Best Practice	
TGB017	Working knowledge of pensions	Existing	Existing	Existing	
TGB005	Governance of knowledge and understanding	New	New	DNA	
TGB003	Building and maintaining knowledge	New	New	Existing	
TGB009	Value for members	DNA	Existing	DNA	
TGB010	Managing advisers and service providers	New	Existing	New	
TGB031	Identifying and assessing risks	Existing	Existing	Existing	

The governing body continued...					
		In relation to:			
Module number	**Module title**	**DB**	**DC**	**PS**	**Comment**
TGB032	Managing risk using internal controls	Existing	Existing	Existing	
TGB033	Assurance of governance and internal controls	Existing	Existing	Existing	New material on assurance
TGB022	Continuity planning	New	New	Best Practice	
TGB039	Conflicts of interest	Existing	Existing	Existing	
TGB045	Own risk assessment	New	New	DNA	
TGB046	Scheme governance	New	New	Existing	
Funding and investment					
FAI001	Investment governance	Existing	Existing	Best Practice	
FAI003	Investment decision-making	New	New	DNA	Based on current guidance
FAI004	Implementation report	New	New	DNA	

Funding and investment continued...					
		In relation to:			
Module number	**Module title**	**DB**	**DC**	**PS**	**Comment**
FAI005	Investment monitoring	New	New	Best Practice	
FAI006	Stewardship	New	New	DNA	
FAI011	Climate change	New	New	DNA	
FAI008	Statement of investment principles	New	New	DNA	
FAI010	Default arrangements and charge restrictions	DNA	Existing	DNA	
Administration					
ADM001	Administration	New	New	New	
ADM002	Financial transactions	New	New	New	
ADM014	Transfers	New	New	New	Based on current guidance
ADM003	Scheme records	New	New	New	
ADM006	Data monitoring	New	New	New	
ADM015	Maintenance of IT systems	New	New	New	

Administration continued...					
		In relation to:			
Module number	**Module title**	**DB**	**DC**	**PS**	**Comment**
ADM016	Cyber controls	New	New	New	Based on current guidance
ADM007	Receiving contributions	Existing	Existing	Existing	
ADM008	Monitoring contributions	Existing	Existing	Existing	
ADM011	Resolving overdue contributions	Existing	Existing	Existing	
Communications and disclosure					
CAD001	General principles for member communications	New	Existing	New	
CAD003	Statutory financial statements (DC)	DNA	Existing	DNA	
CAD011	Statutory financial statements (DB)	Existing	DNA	DNA	
CAD012	Statutory financial statements (PSPS)	DNA	DNA	Existing	
CAD004	Retirement risk warnings and guidance	DNA	Existing	DNA	
CAD016	Short service refunds/refunds of contributions	Existing	Existing	Existing	
CAD008	Chair’s statement	DNA	Existing	DNA	

Communications and disclosure continued...					
		In relation to:			
Module number	Module title	DB	DC	PS	Comment
CAD005	Scams	New	Existing	New	
CAD010	Publishing information about public service pension schemes	DNA	DNA	Existing	
CAD014	Audit requirements	New	New	DNA	
CAD015	Dispute resolution procedures	Existing	Existing	Existing	
Reporting to TPR					
RTT001	Registrable information and scheme returns	New	Existing	New	
RTT003	Who must report	Existing	Existing	Existing	
RTT004	Decision to report	Existing	Existing	Existing	
RTT005	How to report	Existing	Existing	Existing	

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Free online learning for trustees

https://education.thepensionsregulator.gov.uk/
Pensions education portal

The Pensions Regulator

Consultation document: **The new code of practice**

Public service governance and administration survey 2020-21

Research report

Prepared for The Pensions Regulator by OMB Research

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Contents

1. Executive summary

1.1 Introduction

This report summarises results from The Pensions Regulator's (TPR's) Public Service Pension Scheme (PSPS) Governance and Administration Survey 2020-21. The survey was undertaken by OMB Research, an independent market research agency, on behalf of TPR.

The primary objective of the survey was to track governance and administration practices among public service pension schemes. In addition, the 2020-21 survey also included new questions on schemes' response to the COVID-19 pandemic, awareness and perceptions of the pensions dashboards, and the actions taken by Local Government schemes in relation to climate-related risks and opportunities.

The survey was conducted online between January and March 2021, and was completed by representatives of 193 public service pension schemes out of the existing entirety of 206.

1.2 Key processes

There was little change since 2019 for the key processes that The Pensions Regulator (TPR) monitors as indicators of public service scheme performance. However, the proportion of schemes with all six processes in place increased to 70% from 64% in 2019.

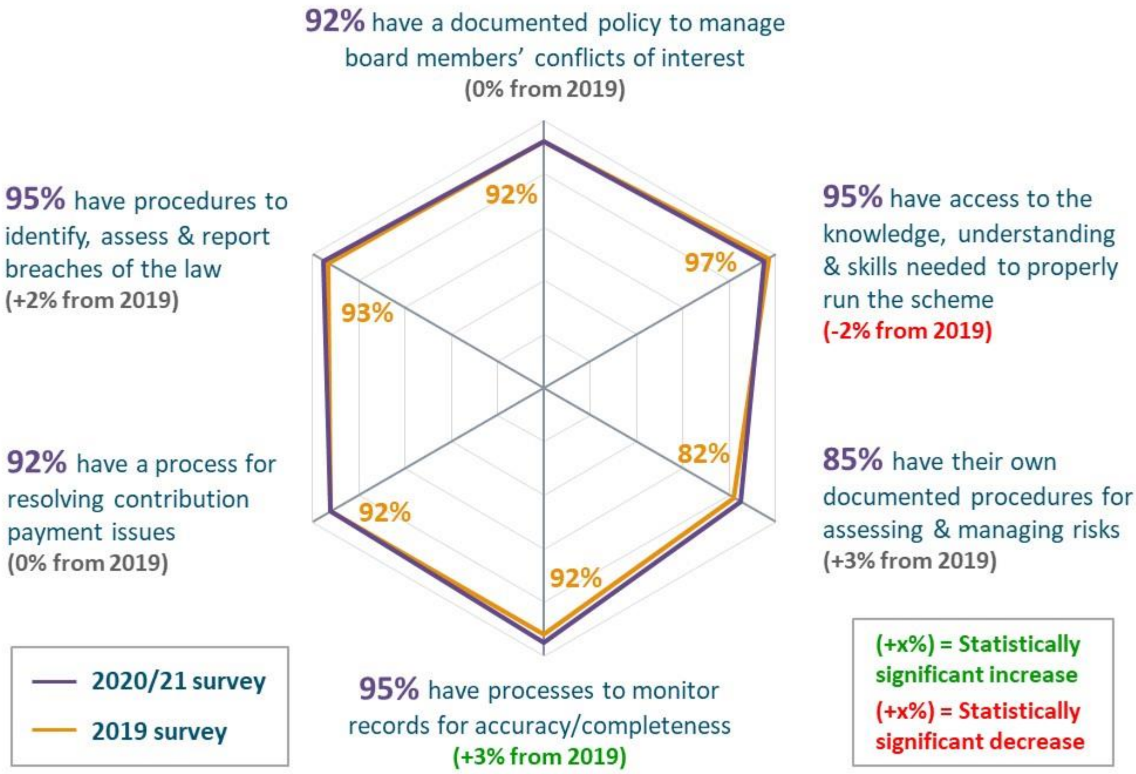
Between 85% and 95% of schemes reported that they had each of these processes in place. Results were generally similar to the 2019 survey. However, there was an increase in the proportion with processes to monitor the accuracy and completeness of records (from 92% to 95%) and a decrease in the proportion with the knowledge, understanding and skills needed to properly run the scheme (from 97% to 95%).

Over two-thirds (70%) of schemes had all six of these processes in place, together representing 68% of all memberships. This was an increase from 2019, when 64% of schemes had all six.

Three-quarters of Local Government (75%) and Firefighters' (74%) schemes had all six processes in place. This proportion was lower for 'Other'[1] (64%) and Police (55%) schemes.

[1] Centrally administered unfunded schemes, i.e. excluding relevant Local Government, Firefighters' and Police schemes.

Figure 1.2.1 Schemes' performance on key processes



1.3 The pension board

Approaching half of schemes held four or more pension board meetings in the previous 12 months[2], a fall from 2019. The mean number of current board members at the time they completed the survey was 7.1.

Schemes held an average of 3.4 board meetings in the previous 12 months, with 45% reporting that they held four or more (-12 percentage points from 2019) and 22% that they met twice or less. 'Other' and Police schemes were most likely to have held at least four board meetings in the previous 12 months (82% and 74% respectively), with Firefighters' and Local Government schemes least likely (32% and 33% respectively).

On average 93% of board meetings were attended by the scheme manager or their representative, similar to in 2019.

Almost three-quarters (72%) of schemes had more than five current board members at the time they completed the survey, and the mean number was 7.1. Around a third (31%) of schemes had one or more vacant position on the board. Six schemes (3%) reported that they had fewer current board members

[2] TPR sets an expectation that the governing boards of pension schemes should meet often enough to maintain effective oversight and control, which in most cases will be at least quarterly.

at the time they completed the survey than specified by their respective regulations[3].

Over half (58%) of schemes had a succession plan for members of the pension board, rising to 76% of Police schemes. This was consistent with the 2019 survey results.

The majority of schemes (94%) felt that, over the previous 12 months, their pension board had access to all the information about the operation of the scheme that it needed to fulfil its functions. A similar proportion believed the board was able to obtain sufficient specialist advice on cyber security (92%). Both of these were higher than in the 2019 survey (5 percentage points higher in both cases).

Overall, 85% of schemes evaluated the board's knowledge, understanding and skills at least annually, an increase from 76% in 2019. This increase was driven by Police schemes, 88% of which evaluated the board at least annually (+28 percentage points from 2019). On average, pension board members received ten hours of training per year in relation to their role on the board.

1.4 Managing risk

Risk exposure was reviewed at the majority of board meetings, but there was a fall in the proportion of schemes with their own risk register.

On average, schemes' exposure to new and existing risks had been reviewed at 84% of the pension board meetings held in the previous 12 months, an increase from 77% in 2019. Just over a third (35%) of schemes reported that risk exposure had been reviewed at four or more board meetings over this period, consistent with the 2019 survey.

The proportion of schemes with their own risk register fell from 93% in 2019 to 89% in the 2020-21 survey. This decline was primarily caused by 'Other' and Police schemes (-18 and -7 percentage points respectively).

Approaching two-thirds (61%) of schemes identified remediation (the McCloud judgment) as one of the top three risks they faced. A smaller proportion of Local Government schemes cited this (37%).

1.5 Administration and record-keeping

As in the 2019 survey findings, administration was included on the agenda at the majority of board meetings and three-quarters of schemes had an administration strategy.

On average, administration was included on the agenda at 92% of the board meetings held in the previous 12 months (similar to 2019). Most schemes

[3] Five of these six schemes reported that they had vacant positions on their board at the time they completed the survey. If these vacant positions were filled then, four of these five schemes would have met the minimum requirement for the number of pension board members for their type of scheme (the other scheme would still have been below the minimum threshold). The remaining scheme did not report any vacant positions.

(73%) had an administration strategy in place, although this was less widespread among Firefighters' schemes (47%).

Every scheme (100%) saw implementing legislative change and addressing issues that impaired their ability to run the scheme effectively as important administration objectives (with 97% and 94% respectively describing these as 'very important'). In contrast, schemes were least likely to see reducing costs (53%) or moving to a new administrator/administration system (26%) as important.

Four in ten schemes stated that all their employers had always provided data on time in the last 12 months (40%) and had always provided accurate and complete data (39%), consistent with the 2019 results.

These proportions were lower for multi-employer schemes than single employer schemes. Approximately one in ten (9%) multi-employer schemes said all their employers had always provided the data required each month on time over the previous 12 months, compared with 85% of single employer schemes. Similarly, 9% of multi-employer schemes said all their employers always provided accurate and complete data, compared with 83% of single employer schemes.

A higher proportion of schemes (64%) reported that all their employers had submitted all data electronically in the last 12 months.

There was little difference between multi-employer and single employer schemes in this respect, with 61% of the former and 69% of the latter reporting that all their employers had submitted all data electronically.

On average, 4% of employers had not provided any data electronically in the last 12 months.

1.6 Cyber security

Nine in ten schemes (90%) had at least half of the recommended cyber risk controls in place, an improvement since 2019. The proportion who reported experiencing any cyber breaches or attacks in the last 12 months was lower than in 2019.

Schemes were asked about 14 specific cyber controls and 90% had at least half of these in place, an increase from 82% in 2019.

For 11 of the 14 cyber controls, the overall proportion of schemes with these in place was higher than in 2019. The greatest increases were seen for the scheme manager assuring themselves of third party providers' controls (+12 percentage points), assessment of the likelihood of different types of breaches occurring (+12 percentage points) and the scheme manager receiving regular updates on cyber risks, incidents and controls (+10 percentage points).

A third (34%) of schemes reported that they had experienced some kind of cyber breach or attack in the previous 12 months (a decrease from 42% in

2019). These incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (29%).

Most schemes that experienced any cyber breaches or attacks in the previous 12 months said that these had no impact, but 5% reported a negative impact (equating to 2% of all public service schemes). This is a fall from 15% in the 2019 survey.

A fifth (20%) of schemes that experienced cyber security breaches or attacks in the last 12 months had reported these to other parties (typically to their pension board and/or members), and 11% of those with an incident response plan indicated that this had been triggered by the cyber breach/attack.

1.7 Annual benefit statements

Over nine in ten active members received their annual benefit statement by the statutory deadline in 2020, unchanged from 2019. More schemes achieved this for all their active members than in 2019.

On average, 94% of active members received their statement by the deadline, consistent with the 95% seen in 2019. The proportion of schemes meeting the deadline for all their active members increased from 53% to 59%. This proportion was highest for Firefighters' and Police schemes (83% and 60% respectively) but lower for 'Other' (45%) and Local Government (48%) schemes (both of which are primarily multi-employer schemes and typically have a greater number of members than Firefighters' and Police schemes).

Fewer schemes who missed the annual benefit statement (ABS) deadline for any active members reported this to TPR than in 2019 (29% vs. 42%). A fifth (18%) made a breach of the law report. Those schemes which did not report the missed deadline typically said this was because it was not seen as material as few statements were affected or it was a very short delay.

As in 2019, the vast majority of schemes (92%) reported that every statement they sent out contained all the data required by regulations.

1.8 Resolving issues

Around 10,000 complaints were estimated to have been made to public service schemes in the last year. This equated to 0.6 complaints per 1,000 members, a similar ratio to in 2019.

On average, half (50%) of all complaints entered the Internal Dispute Resolution (IDR) process and 22% of these were upheld.

The types of complaints entering the IDR process varied by scheme type, but overall the most common related to eligibility for ill health benefit (46%) and disputes or queries about the amount of benefit paid (39%).

1.9 Reporting breaches

The vast majority of schemes maintained documented records of breaches of the law identified (98%), included the decision on whether to report to TPR in these records (95%), and provided the pension board with reports on any breaches (95%).

Over a third of schemes (37%) identified breaches of the law in the previous 12 months (excluding those relating to annual benefit statements), and 5% had reported any breaches to TPR (a decrease from 8% in 2019).

Local Government schemes were most likely to have identified breaches of the law (55%) and Police schemes least likely (14%).

1.10 Addressing governance and administration issues

The remediation (McCloud) process, scheme complexity and the volume of changes required to comply with legislation were seen as the top barriers to improving scheme governance and administration in the next 12 months.

Two-thirds (65%) of schemes identified the remediation process as one of the top three barriers they faced to improving governance and administration, an increase from 42% in the 2019 survey. Similar proportions also cited the complexity of the scheme (62%) and the volume of changes required to comply with legislation (61%) as major barriers (with the latter increasing from 49% in 2019).

The remediation process was the most commonly identified barrier for 'Other' (91%), Firefighters' (79%) and Police schemes (81%), but fewer Local Government schemes selected it as one of the major challenges they faced (47%).

Improved governance and administration was primarily attributed to a better understanding of the risks facing the scheme.

Most schemes (68%) felt that the improvements they made to scheme governance and administration over the previous 12 months were down to an improved understanding of the risks facing the scheme. This was followed by better understanding of the underlying legislation and standards expected by TPR (46%) and resources being increased or redeployed to address risks (42%).

1.11 COVID-19 pandemic

Almost all schemes had a business continuity plan in place prior to the COVID-19 pandemic, and these were widely felt to have been effective.

The vast majority (95%) of schemes had a business continuity plan (BCP) in place before the first COVID-19 lockdown started in March 2020, with 59% having their own BCP and 36% using their local authority's BCP.

Most of these (87%) judged their BCP to have been effective in helping the scheme respond to the pandemic, with 60% describing it as 'very effective'. The main barriers to implementing the BCP were felt to have been the suitability of IT hardware (31%), ability of staff to work from home (29%) and suitability of IT infrastructure (22%). However, a third (35%) did not experience any barriers.

Over nine in ten schemes felt that communications between the scheme manager and administrator (97%), the performance of the administrator (94%), and the relationship between the scheme manager and the pension board (93%) had been effective since the start of the pandemic.

1.12 Pensions dashboards

While awareness of the dashboards was near universal and most schemes believed they were a good idea, there were some concerns about schemes' ability to implement them.

The majority of respondents had heard of the pensions dashboards (96%) and most also knew that the Pensions Bill 2020 requires trustees and scheme managers to provide data to savers through the dashboards (88%).

There was broad consensus that the dashboards were a good idea for savers (89% agreed), but fewer schemes agreed that they would be able to deal with any administrative demands involved (40%) and that the dashboards would be easy for their scheme to implement (9%). A minority (10%) expected to leave preparations as late as possible.

The main challenges schemes expected to face when preparing for the dashboards were software compatibility (75%) and knowing what is required (58%). Most expected to learn more about the requirements from their scheme advisory board (69%), the Pensions Dashboards Programme (63%) or TPR (61%).

1.13 Climate change

Nine in ten Local Government schemes had allocated time or resources to assessing any financial risks and opportunities arising from climate change, and most were aware of the Taskforce on Climate-related Financial Disclosures (TCFD).

The survey questions on climate change were asked only of Local Government schemes (as these are the only funded PS schemes). Overall, 91% had allocated time or resources to assessing climate change risks/opportunities, but fewer had assessed particular climate-related scenarios (66%), tracked their portfolio's carbon intensity (60%) or assessed their portfolio's potential contribution to global warming (29%).

Two-thirds (68%) had added climate-related risks to their risk register, and around two-fifths had regularly covered these issues at board meetings (42%), assigned responsibility to a specified individual or sub-committee (37%) and incorporated targets into their climate policy (37%).

Approaching three-fifths of schemes gave significant consideration to the risk of transitioning to a low carbon economy (58%) and climate-related opportunities (57%) in their investment and funding strategy, but fewer considered physical risks (34%) or the participating employer's exposure (16%).

The majority of schemes (83%) were aware of the work of the TCFD, and 22% made disclosures as recommended by the TCFD.

1.14 Perceptions of TPR

More schemes agreed that TPR was fair, clear, approachable and evidence-based than in 2019.

The proportion of schemes that agreed TPR was fair increased from 66% in 2019 to 77% in the 2020-21 survey. There was also increased agreement that TPR was clear (from 70% to 77%), approachable (from 76% to 81%) and evidence-based (from 71% to 76%).

As in 2019, of the various descriptors of TPR that were asked about, schemes were most likely to agree that TPR was visible (84%), respected (84%) and approachable (81%), and least likely to see the organisation as decisive (63%) and tough (52%).

TPR was widely felt to be effective at improving standards of governance and administration. It was also perceived to be clear about its administration expectations, effective at changing behaviour among its regulated audiences, and proactive at reducing risks to member benefits.

Overall, 87% of schemes judged TPR to be very or fairly effective at improving standards of governance and administration in public service pension schemes (unchanged from 2019). Every 'Other' scheme (100%) felt that TPR was effective in this regard.

The majority of schemes also agreed that TPR clearly explains its expectations in respect of administration (84%), is effective at bringing about the right changes in behaviour among its regulated audiences (79%) and is proactive at reducing serious risks to members' benefits (75%). Again, 'Other' schemes were typically most positive about these areas.

2. Introduction

2.1 Background

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 (together, the Public Service Acts) introduced new requirements for the governance and administration of public service pension schemes. Scheme managers must run their schemes according to these legal requirements, which generally came into force on 1 April 2015.

The Public Service Acts also gave TPR an expanded role to regulate the governance and administration of these schemes from 1 April 2015. TPR's code of practice for the governance and administration of public service pension schemes (the PSPS code) sets out the standards of conduct and practice it expects of those responsible, as well as practical guidance about how to comply with the legal requirements.

As part of its role, TPR is responsible for 205 public service schemes in respect of eight public service workforces, covering around 18.4 million memberships.

A survey was first undertaken in 2015 to assess how schemes were meeting the new requirements, and the standards to which they were being run. Further surveys have been run annually to provide a regular assessment of performance, understand barriers to improvement, and delve deeper into the top risks facing public service schemes.

2.2 Objectives

The specific objectives of the 2020-21 survey were to continue to track:

- Public service pension schemes' governance and administration practices, including their approach to risk management, complaints and breaches of the law and any barriers they faced;
- The cyber security controls that schemes had in place and any breaches/attacks experienced;
- Perceptions of TPR and its effectiveness at improving scheme governance and administration standards.

In addition, the 2020-21 survey also sought to understand:

- Schemes' response to the COVID-19 pandemic, with a particular focus on business continuity planning;
- Awareness and perceptions of the pensions dashboards, and any challenges anticipated;
- The extent to which Local Government schemes assessed, managed and prioritised climate-relates risks and opportunities.

2.3 Communications activities

TPR continues to engage with those acting in the public service pension scheme landscape. In 2020 this activity included:

- presenting at conferences, workshops and training events, and;
- engagement with schemes and scheme advisory boards.

The engagement is tailored to the audience and situation. It ranges from overviews and summaries of scheme manager and pension board roles and responsibilities to focused presentations on key issues of importance such as cyber security, data improvement and governance. TPR also maintains supervisory relationships with certain large schemes in the public service scheme landscape to better understand the practical operational challenges facing schemes.

3. Methodology

As with the previous TPR public service pension scheme surveys, an online self-completion approach was adopted for the following reasons:

- The large amount of data to collect would have made a telephone interview very long and burdensome for respondents.
- It was anticipated that many individuals would need to do some checking/verification in order to answer the questions accurately.
- The range of information requested meant that it was important to allow more than one person at the scheme to contribute.

Owing to the nature and the amount of information required, a carefully structured research approach was necessary, giving respondents early warning of the kinds of information that we were seeking to collect and allowing them to devote an appropriate amount of time and effort to providing accurate and reliable information, liaising with colleagues if needed. Therefore, a multi-stage approach was adopted:

- **Stage 1:** Pre-notification emails were sent by TPR to the pension board chairs and scheme managers to explain the nature of the research, introduce OMB Research (OMB), alert schemes that their participation would be requested and ask them to let OMB know whether the scheme manager or their representative would be completing the survey and, if necessary, provide their contact details.
- **Stage 2:** OMB sent a tailored invitation email to each scheme manager or their chosen representative. This contained a unique survey URL and a link to a ‘hard copy’ of the questionnaire (for reference when compiling information prior to completion).
    - In the case of referrals, sample details were updated so that the most appropriate person was contacted going forward.

- **Stage 3:** OMB sent a further two tailored reminder emails to schemes that had either not started the survey or had only partially completed it.
- **Stage 4:** OMB executives undertook a phase of telephone chasing with non-responders. These calls ensured that the invitation email had been received, confirmed the identity of the most appropriate individual to complete the survey and encouraged schemes to take part.

3.1 Sampling

The sample for this research was extracted from TPR's scheme registry database. The target audience was scheme managers of open public service schemes or their representatives. For the purpose of the survey, each locally-administered section of relevant Firefighters', Police and Local Government schemes was treated as a separate scheme, forming a total universe of 205 schemes at the time the 2020-21 survey was conducted.

Scheme managers or their representatives were asked to work with the pension board chair to complete the survey and, where necessary, seek input from others with specialist knowledge (e.g. the scheme administrator).

3.2 Fieldwork

All surveys were completed between 20 January and 8 March 2021. In total, 293 of the 205 public service pension schemes completed the survey. This equates to a 94% response rate, covering 99% of all memberships.

Table 3.2.1 Interview numbers and universe

Scheme type	Interviews	Schemes		Memberships	
		Universe	Survey coverage	Universe	Survey coverage
Other	11	11	100%	11,058,653	100%
Firefighters	47	50	94%	123,431	95%
Local Government	93	98	95%	6,791,973	98%
Police	42	46	91%	386,775	96%
Total	**193**	**205**	**94%**	**18,360,832**	**99%**

The majority (86%) of the completed surveys were submitted in response to the initial email and reminders, with the remainder submitted during (or shortly after) the telephone chasing phase.

3.3 Respondent profile

Scheme managers or their representatives contributed to 85% of submitted surveys, and directly completed it in 74% of cases. Over half (54%) of the surveys were completed with input from the pension board chair, with other board members involved in 17%. Approaching two-thirds (61%) involved consultation with the scheme administrator.

Table 3.3.1 Respondent role

Respondent role	Completed	Consulted	Total
Scheme manager	27%	16%	43%
Representative of the scheme manager[4]	47%	29%	63%
Pension board chair	5%	49%	54%
Pension board member[4]	3%	15%	17%
Administrator	13%	47%	61%
Other role	6%	12%	12%
Net: Scheme manager/representative	**74%**	**40%**	**85%**
Net: Pension board chair/member	**7%**	**59%**	**65%**

3.4 Analysis and reporting conventions

Throughout this report, results are reported at an aggregate level for all respondents and by cohort: Local Government, Firefighters', Police and 'Other'[5] schemes. The cohorts are grouped in this way to reflect the different governance structures, funding methods and employer profiles.

To ensure that results are representative of all public service pension schemes, the data throughout this report is shown weighted. **Scheme** data has been weighted based on the number of public service schemes of each type. **Membership** data has been weighted based on the total number of memberships in each scheme type. It should be noted that the membership-weighted results are heavily influenced by the 'Other' schemes, which accounted for 60% of all memberships at the time the 2020-21 survey was undertaken. The narrative commentary in this report therefore typically focuses on the scheme-weighted findings.

Where available and comparable, the results from the previous two PSPS governance and administration surveys (2018 and 2019) have been included.

When interpreting the data presented in this report, please note that results may not sum to 100% due to rounding and/or due to respondents being able to select more than one answer to a question.

[4] For 'representative of the scheme manager', 'pension board member' and 'other role', the *total* percentage is lower than the sum of the *completed by* and *consulted with* percentages. This is because there can be more than one person at the scheme in these roles, and in some cases one completed the survey and another consulted on it, so they appear in both these columns (but only count once in the total column).
[5] Centrally administered unfunded schemes, i.e. excluding relevant Local Government, Firefighters' and Police schemes.

Data presented in this report are from a sample of public service schemes rather than the total population. This means the results are subject to sampling error. Differences between cohorts and different years of the research have been tested for statistical significance, using finite population correction (i.e. reflecting that 98% of the total public service scheme universe completed the survey). Differences are commented on in the text only if they are statistically significant at the 95% confidence level. This means there is no more than a 5% chance that any reported differences are not real but a consequence of sampling error.

4. Research findings

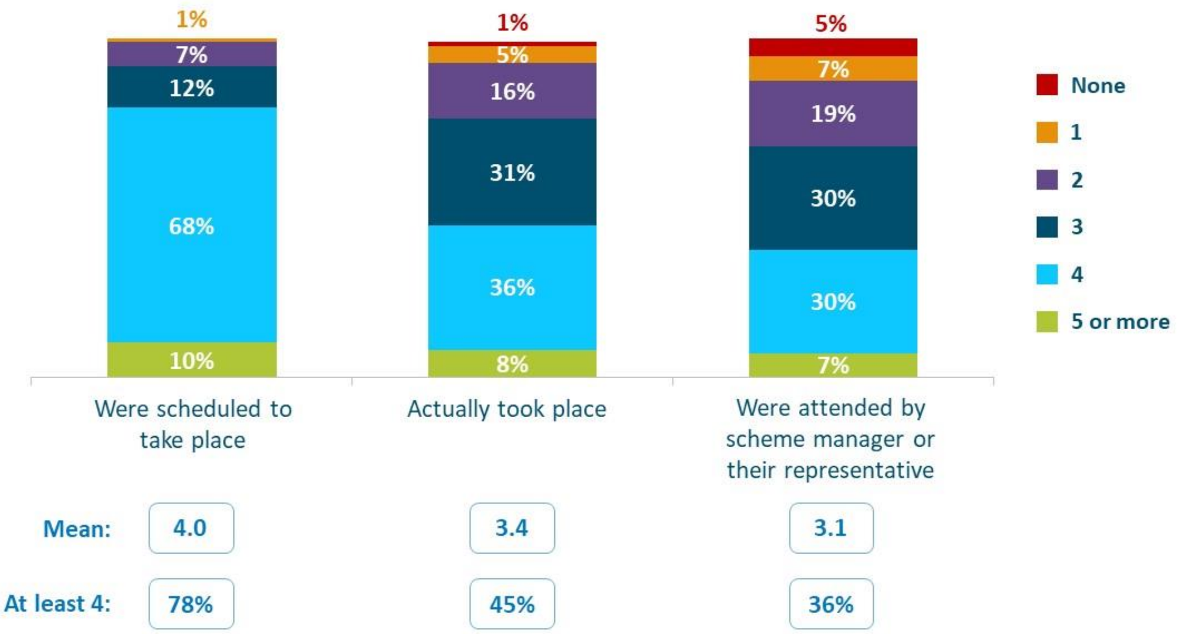
4.1 Scheme governance

On average, schemes had scheduled 4.0 pension board meetings in the previous 12 months, with 78% of schemes scheduling four or more board meetings over that period.

However, not all the scheduled meetings went ahead; schemes reported that they held an average of 3.4 board meetings in the previous 12 months, with approaching half (45%) holding four or more. Almost a quarter (22%) reported that their pension board had met twice or less in the previous 12 months.

On average the scheme manager or their representative had attended 3.1 meetings in the previous 12 months, and 36% of schemes indicated that they had attended at least four board meetings during that period.

Figure 4.1.1 Number of pension board meetings in last 12 months



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 1-2%, 2%)

The mean proportion of scheduled pension board meetings that actually took place was 84%. On average, 93% of the meetings that took place were attended by the scheme manager or their representative.

Table 4.1.1 Proportion of pension board meetings that went ahead and were attended by scheme manager/representative

	Total schemes
Base: All respondents	*202*
% of scheduled meetings that took place (mean)	84%
% of meetings attended by scheme manager/representative (mean)	93%

'Other' and Police schemes were most likely to have held at least four meetings in the last 12 months (82% and 74% respectively, compared with 32% of Firefighters' and 33% of Local Government schemes).

Table 4.1.2 Number of pension board meetings in last 12 months - by scheme type

		Scheme Type			
		Other	Firefighters	Local Govt	Police
Base: All respondents		*11*	*47*	*93*	*42*
Scheduled to take place	Mean	5.0	3.7	4.1	3.9
	At least 4	91%	72%	77%	83%
Actually took place	Mean	4.7	2.9	3.3	3.8
	At least 4	82%	32%	33%	74%
Attended by scheme manager/representative	Mean	4.7	2.7	3.1	3.1
	At least 4	82%	26%	31%	48%
% of scheduled meetings that took place (mean)		94%	80%	78%	97%
% of meetings attended by scheme manager/representative (mean)		100%	92%	96%	82%

The proportion of schemes that scheduled at least four board meetings increased since 2019 (from 73% to 78%), but there was a fall in the proportion that held at least four (from 57% to 45%). There was a corresponding decline in the percentage of meetings that actually took place (from 94% to 85%)

Table 4.1.3 Number of pension board meetings in last 12 months – Time series

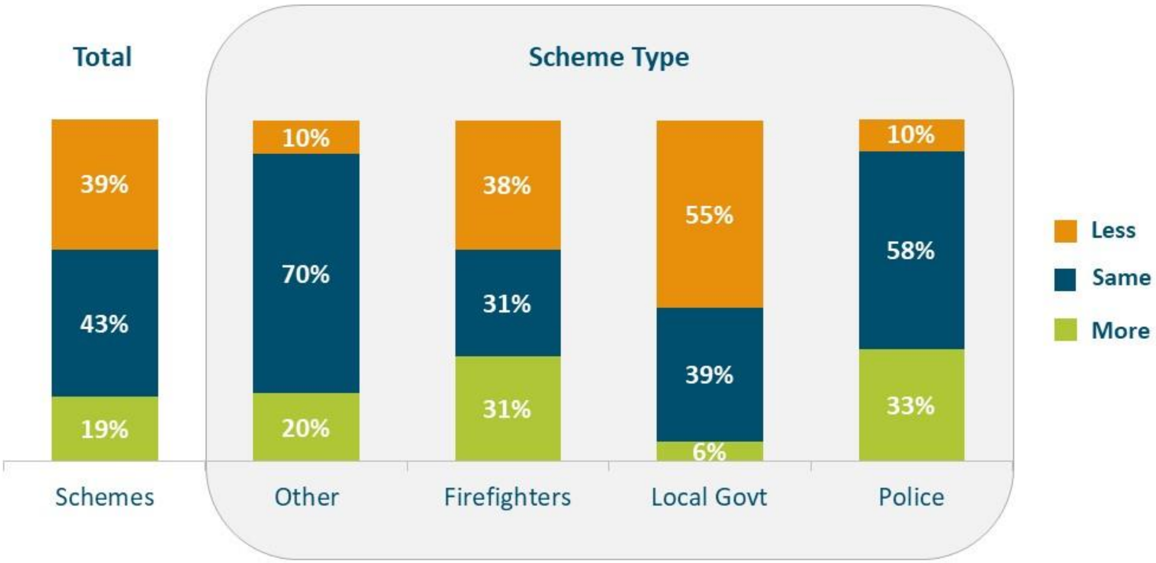
	Survey	Total schemes	Scheme Type			
			Other	Fire-fighters	Local Govt	Police
At least 4 meetings scheduled	**2020-21**	78%	91%	72%	77%	83%
	2019	73%	100%	49%	74%	89%
At least 4 meetings actually took place	**2020-21**	45%	82%	32%	33%	74%
	2019	57%	82%	31%	67%	58%
At least 4 meetings attended by scheme manager/representative	**2020-21**	36%	82%	26%	31%	48%
	2019	52%	82%	24%	65%	47%
% of scheduled meetings that took place (mean)	**2020-21**	84%	94%	80%	78%	97%
	2019	94%	93%	91%	97%	90%
% of meetings attended by scheme manager/representative (mean)	**2020-21**	93%	100%	92%	96%	82%
	2019	95%	100%	93%	98%	92%

The overall fall in the proportion that held at least four board meetings was driven by Local Government schemes (from 67% in 2019 to 33% in the 2020-21 survey). However, there was an increase in this regard for Police schemes (from 58% to 74%).

Consistent with the above time series analysis, 39% of schemes indicated that they had held less board meetings than in the previous 12 month period. Most of the remainder said it was the same (43%) but a fifth (19%) held more meetings than in the previous 12 months.

Over half (55%) of Local Government schemes reported a fall in the number of board meetings held.

Figure 4.1.2 Change in number of pension board meetings that took place compared with previous 12 month period



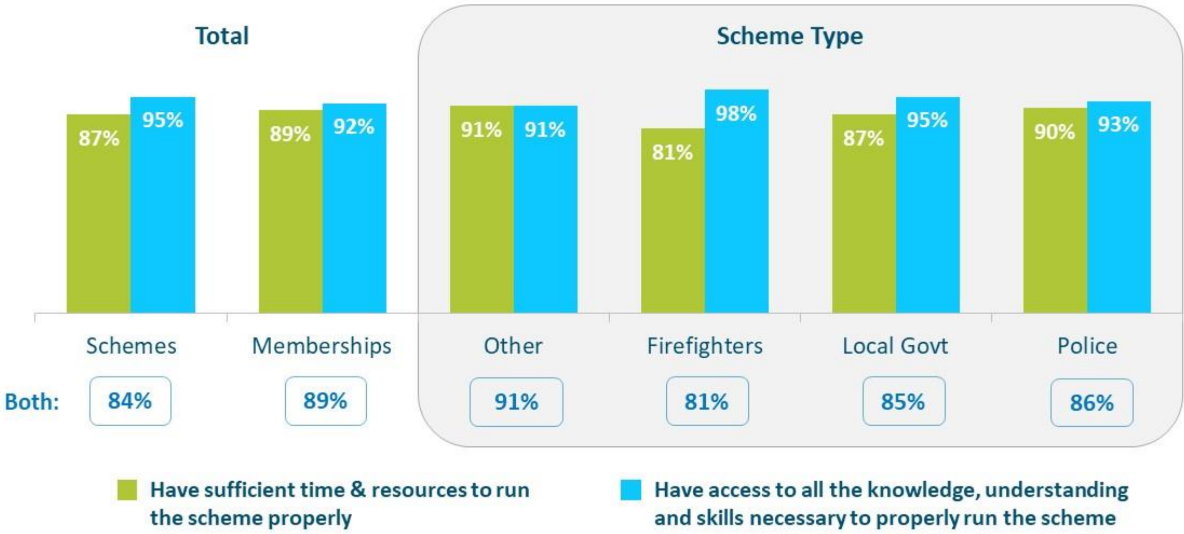
All that knew number of board meetings held in last 12 months (Base, Don't know, Did not answer question) - Schemes (188, 0%, 0%), Other (10, 0%, 0%), Firefighters (45, 0%, 0%), Local Govt (93, 0%, 0%), Police (40, 0%, 0%)

Schemes were asked whether the scheme manager and pension board had sufficient time and resources to run the scheme properly, and whether they had access to all the necessary knowledge, understanding and skills.

Figure 4.1.3 shows that 95% believed the scheme manager and pension board had access to all the necessary knowledge and skills. Schemes were comparatively less likely to report that they had sufficient time and resources, but 87% still agreed this was the case.

Overall, 89% of all memberships were in a scheme where the scheme manager and pension board had sufficient time and resources, and 92% were in a scheme where they had access to all the necessary knowledge and skills.

Figure 4.1.3 Scheme manager and pension board resources and knowledge



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 2-3%, 3%), Memberships (193, 1%, 6%), Other (11, 0%, 9%), Firefighters (47, 0-2%, 2%), Local Govt (93, 3%, 1-2%), Police (42, 0-5%, 5%)

Small schemes with fewer than 2,000 memberships were least likely to feel they had sufficient time and resources (71%). However, there were no differences by scheme size when it came to having access to the necessary knowledge, understanding and skills.

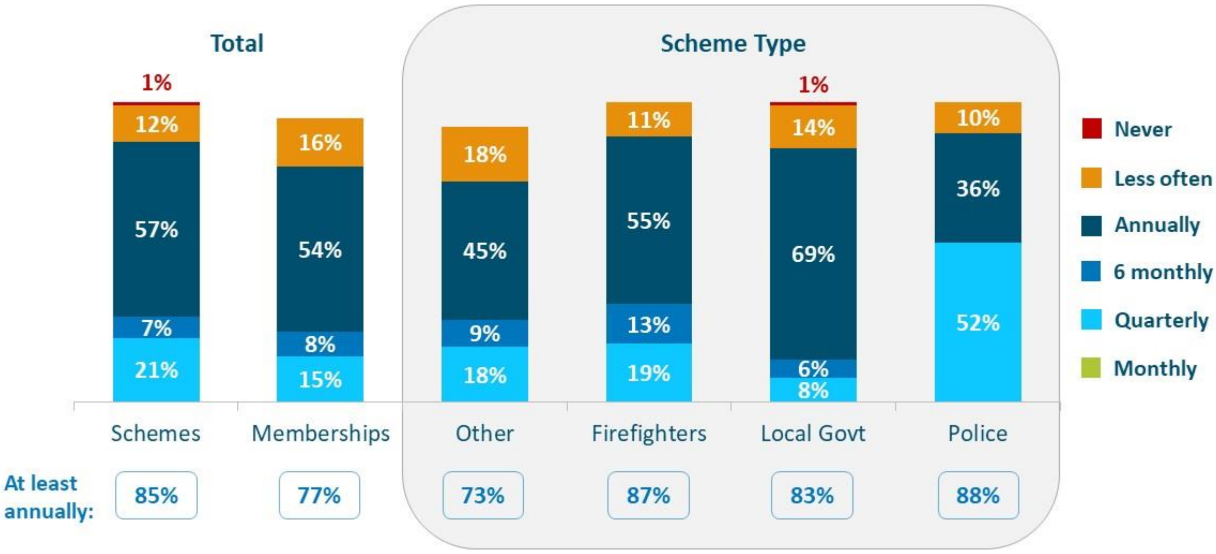
Table 4.1.4 shows that the proportion of schemes reporting that their scheme manager and pension board had sufficient time and resources fell since 2019 (from 90% to 87%) and there was a similar decrease for access to all the necessary knowledge, understanding and skills (from 97% to 95%). The former decline was evident for all scheme types aside from Local Government, whereas the latter applied only to 'Other' and Police schemes.

Table 4.1.4 Scheme manager and pension board resources and knowledge – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Sufficient time and resources to run the scheme properly					
PSPS Survey 2020-21	**87%**	**91%**	**81%**	**87%**	**90%**
PSPS Survey 2019	90%	100%	88%	87%	98%
PSPS Survey 2018	91%	100%	87%	89%	95%
Access to all the knowledge, understanding and skills necessary to properly run the scheme					
PSPS Survey 2020-21	**95%**	**91%**	**98%**	**95%**	**93%**
PSPS Survey 2019	97%	100%	98%	95%	98%
PSPS Survey 2018	96%	100%	98%	96%	93%

In the majority of cases (85%) the scheme manager or pension board carried out an evaluation of the board's knowledge, understanding and skills at least annually.

Figure 4.1.4 Frequency of scheme manager or pension board carrying out an evaluation of the knowledge, understanding and skills of the board in relation to running the scheme



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 1%, 2%), Memberships (193, 1%, 6%), Other (11, 0%, 9%), Firefighters (47, 0%, 2%), Local Govt (93, 2%, 0%), Police (42, 0%, 2%)

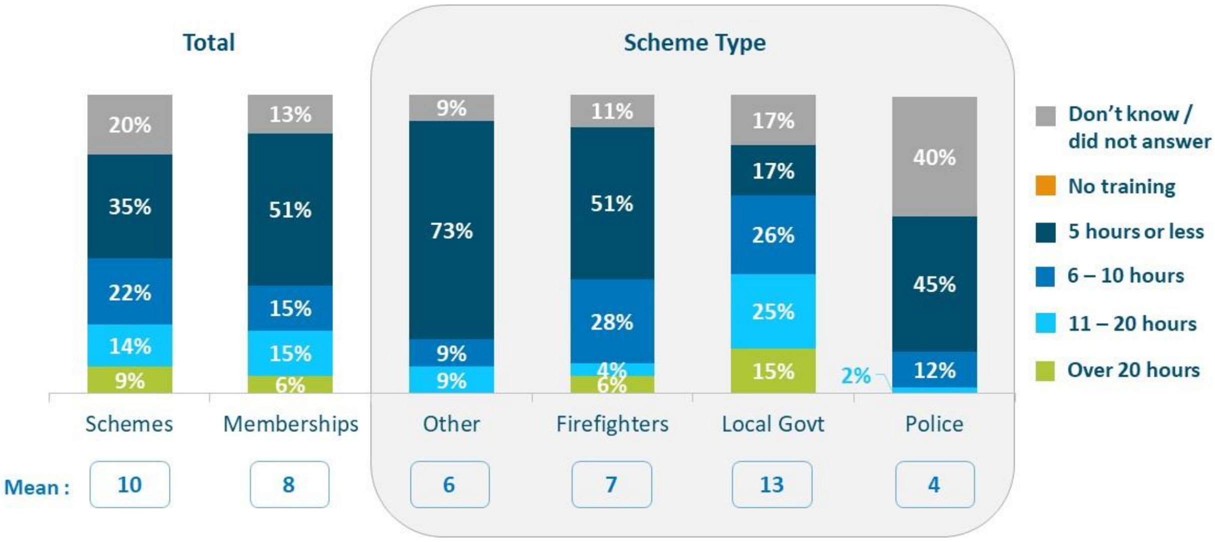
There was an increase since 2019 in the proportion of schemes that evaluated their board at least annually, from 76% to 85%. This was primarily driven by Police schemes (+28 percentage points), but also increased among Local Government schemes (+5 percentage points). In comparison, there was a fall for 'Other' schemes (-9 percentage points).

Table 4.1.5 Proportion of schemes that carried out an evaluation of the knowledge, understanding and skills of the board at least annually – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**85%**	**73%**	**87%**	**83%**	**88%**
PSPS Survey 2019	76%	82%	86%	78%	60%
PSPS Survey 2018	82%	64%	76%	86%	82%

As shown in Figure 4.1.5, pension board members received an average of 10 hours training per year in relation to their role on the board, rising to 13 hours for Local Government schemes. This was consistent with the 2019 survey results.

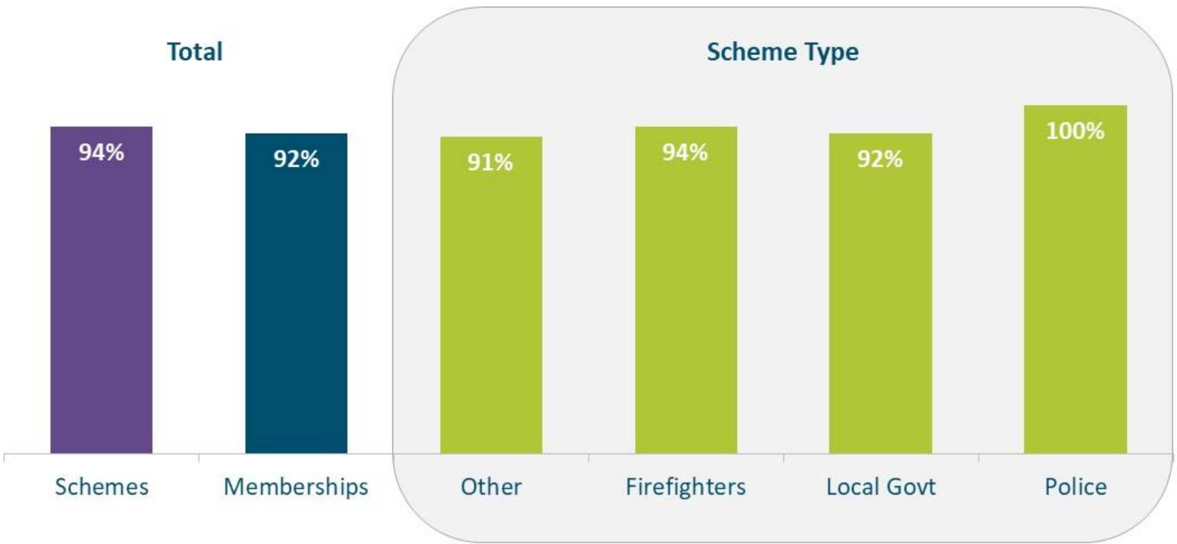
Figure 4.1.5 Hours of training per year for each pension board member in relation to their role on the board



All respondents (Base) - Schemes (193), Memberships (193), Other (11), Firefighters (47), Local Govt (93), Police (42)

Most schemes (94%) believed that their pension board had access to all the information about the operation of the scheme it had needed to fulfil its functions in the previous 12 months. This rose to 100% of Police schemes.

Figure 4.1.6 Proportion of schemes where pension board had access to all the information about the operation of the scheme it needed to fulfil its functions in last 12 months



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 3%, 2%), Memberships (193, 2%, 6%), Other (11, 0%, 9%), Firefighters (47, 0%, 4%), Local Govt (93, 5%, 0%), Police (42, 0%, 0%)

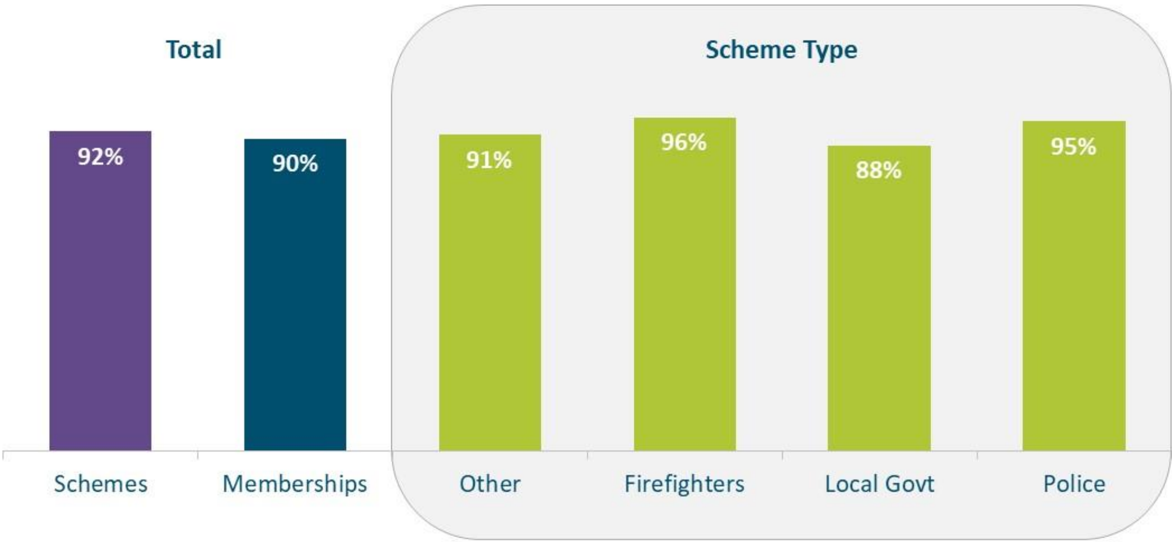
More schemes felt the board had access to the information it needed to fulfil its functions than in 2019 (94% vs. 89%). This increase was evident for Local Government and Police schemes, but there was a decrease for 'Other' and Firefighters' schemes.

Table 4.1.6 Proportion of schemes where pension board had access to all the information about the operation of the scheme it needed to fulfil its functions in last 12 months – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**94%**	**91%**	**94%**	**92%**	**100%**
PSPS Survey 2019	89%	100%	98%	81%	93%

Overall, 92% of schemes felt that their pension board was able to obtain sufficient specialist advice on cyber security when needed. This was broadly consistent by scheme type (88% to 96%).

Figure 4.1.7 Proportion of schemes where pension board was able to obtain sufficient specialist advice on cyber security when needed



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 6%, 2%), Memberships (193, 3%, 6%), Other (11, 0%, 9%), Firefighters (47, 2%, 2%), Local Govt (93, 9%, 1%), Police (42, 5%, 0%)

This proportion was higher than in 2019 (92% vs. 87%), with the greatest increase seen among Police schemes (+13 percentage points).

Table 4.1.7 Proportion of schemes where pension board had access to all the information about the operation of the scheme it needed to fulfil its functions in last 12 months – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**92%**	**91%**	**96%**	**88%**	**95%**
PSPS Survey 2019	87%	100%	90%	86%	**82%**

As shown in Table 4.1.8, almost three-quarters (72%) of schemes had more than five current members on their pension board at the time they completed the survey. The mean number of current board members was 7.1 (compared with 6.9 in the 2019 survey).

Table 4.1.8 Number of current pension board members

	Total schemes
Base: All respondents	*193*
2-3 current board members	3%
4-5 current board members	23%
6-7 current board members	36%
8-9 current board members	18%
10+ current board members	17%
Mean number of current board members	**7.1**
Don't know	1%
Did not answer question	2%

Six schemes (3%) had fewer current board members at the time they completed the survey than specified by their respective regulations. Of these, four were Local Government and two were Police schemes. This compares with eight schemes in 2019 (four Local Government and four Police).

Schemes were also asked to provide details of the number of vacant positions on their board, the number of board members that had left in the previous 12 months and the number of members appointed in this period.

Around two-thirds (64%) reported that one or more board members had left in the previous 12 months, and the same proportion (64%) indicated that they had made any new appointments. Approaching a third (31%) of schemes said they had at least one vacant position on the board at the time they completed the survey.

Table 4.1.9 Turnover of pension board members

	Vacant positions	Members that left in last 12 months	Members appointed in last 12 months
Base: All respondents	*193*	*193*	*193*
0	67%	35%	34%
1	24%	37%	36%
2	4%	23%	21%
3	1%	3%	4%
4+	2%	1%	3%
Net: 1+	**31%**	**64%**	**64%**
Mean	**0.5**	**1.0**	**1.1**
Don't know	1%	0%	0%
Did not answer question	2%	2%	2%

Further analysis was conducted to assess the total number of board positions in each scheme. The number of 'total positions' on the board was calculated by combining the number of current board members and number of vacant positions.

As shown in Table 4.1.10, the mean number of total positions was 7.6. On average, schemes reported that 14% of the total positions on their board had left in the previous 12 months and 15% had been appointed in the previous 12 months. The mean proportion of total board positions that were vacant at the time the schemes completed the survey was 6%.

Table 4.1.10 Number of total pension board positions (current members plus vacant positions)

	Total schemes
Base: All respondents	*193*
Mean number of total positions on board (current + vacant)	7.6
Mean % of total positions that are vacant	6%
Mean % of total positions that left in last 12 months	14%
Mean % of total positions appointed in last 12 months	15%

'Other' schemes tended to have the greatest number of current board members (a mean of 12.0), whereas Firefighters' and Local Government schemes had the fewest (5.9 and 6.6 respectively). Firefighters' schemes had the fewest vacant board positions (a mean of 0.2, equating to 2% of total positions).

Table 4.1.11 Number and turnover of pension board members – by scheme type

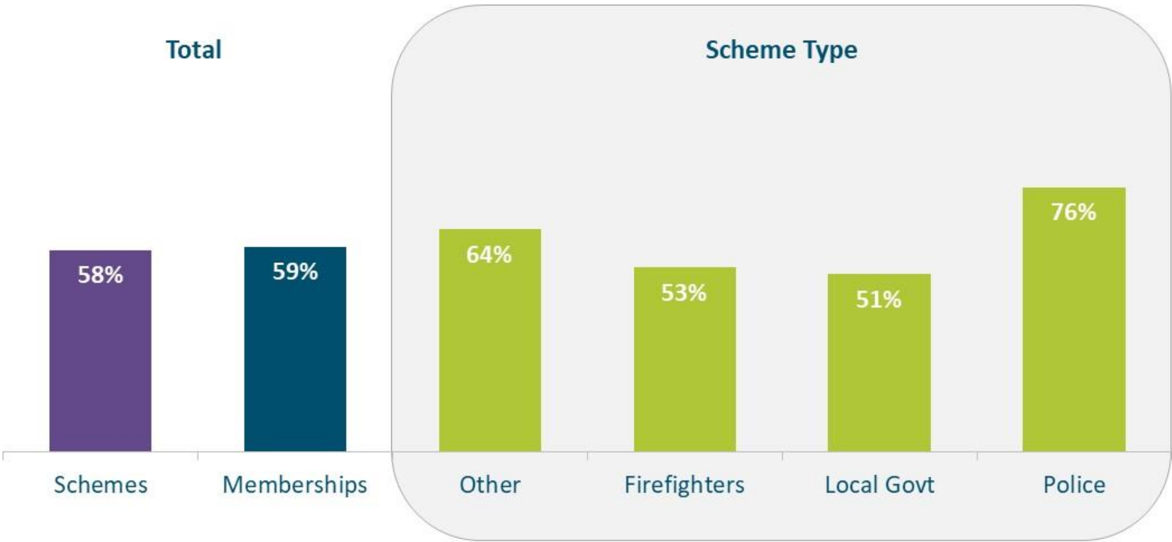
	Scheme Type			
	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*11*	*47*	*93*	*42*
Mean no. of current board members	12.0	5.9	6.6	8.3
Mean no. of vacant positions	1.6	0.2	0.5	0.4
Mean no. of board members that left in last 12 months	1.4	1.0	0.8	1.3
Mean no. of board members appointed in last 12 months	1.5	1.2	0.9	1.3
Mean % of total positions that are vacant	**8%**	**2%**	**7%**	**5%**
Mean % of total positions that left in last 12 months	**10%**	**17%**	**11%**	**16%**
Mean % of total positions appointed in last 12 months	**11%**	**20%**	**12%**	**16%**

As mentioned previously, six schemes had fewer current board members at the time they completed the survey than specified by their respective regulations. The four Local Government schemes all indicated that they had vacant positions on their board. If these vacant positions were filled then they would all have met the minimum requirement for the number of pension board members for Local Government schemes.

Of the two Police schemes that had fewer current board members than required by their regulations, one did not report any vacant positions. The other indicated declared that they had one vacancy, but if this was filled they would still be below the minimum requirement for Police schemes.

Figure 4.1.8 shows that 58% of schemes had a succession plan in place for members of the pension board. This was most likely to be the case among Police schemes (76%).

Figure 4.1.8 Proportion of schemes with a succession plan in place for pension board members



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 5%, 2%), Memberships (193, 8%, 6%), Other (11, 9%, 9%), Firefighters (47, 0%, 2%), Local Govt (93, 5%, 0%), Police (42, 10%, 2%)

Results were broadly consistent with the 2019 survey, although Local Government schemes were less likely to have a succession plan in place (51% vs. 59%).

Table 4.1.12 Proportion of schemes with a succession plan in place for pension board members – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**58%**	**64%**	**53%**	**51%**	**76%**
PSPS Survey 2019	54%	64%	57%	59%	72%

4.2 Managing risk

Figure 4.2.1 shows the proportion of schemes that had various risk management processes and procedures in place, along with comparative data from the 2019 survey.

Table 4.2.1 Proportion of schemes with risk managements processes and procedures - Time series

	Survey	Total		Scheme Type			
		Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents		*193*	*193*	*11*	*47*	*93*	*42*
Its own documented procedures for assessing and managing risk	**2020-21**	**85%**	**83%**	**82%**	**83%**	**84%**	**90%**
	2019	82%	92%	100%	76%	80%	87%
	2018	92%	98%	100%	80%	96%	93%
A documented policy to manage the pension board members' conflicts of interest	**2020-21**	**92%**	**92%**	**91%**	**94%**	**94%**	**88%**
	2019	92%	81%	73%	94%	92%	93%
	2018	90%	86%	82%	85%	93%	91%
Processes to monitor records for all membership types on an ongoing basis to ensure they are accurate/complete	**2020-21**	**95%**	**93%**	**91%**	**94%**	**97%**	**95%**
	2019	92%	97%	100%	94%	94%	82%
	2018	91%	92%	91%	85%	95%	89%
A process for monitoring the payment of contributions	**2020-21**	**89%**	**88%**	**82%**	**96%**	**99%**	**64%**
	2019	96%	100%	100%	90%	100%	93%
	2018	98%	100%	100%	96%	100%	95%
A process for resolving contribution payment issues	**2020-21**	**92%**	**88%**	**82%**	**96%**	**98%**	**76%**
	2019	92%	99%	100%	82%	98%	89%
	2018	94%	99%	100%	85%	98%	95%
Procedures to identify breaches of the law	**2020-21**	**95%**	**87%**	**82%**	**98%**	**94%**	**100%**
	2019	94%	96%	100%	98%	90%	98%
	2018	94%	95%	100%	89%	96%	93%
Procedures to assess breaches of the law and report these to TPR if required	**2020-21**	**97%**	**93%**	**91%**	**98%**	**96%**	**100%**
	2019	96%	98%	100%	98%	96%	93%
	2018	95%	99%	100%	89%	98%	95%

Over nine in ten schemes had a policy to manage board members' conflicts of interest (92%), processes to monitor records for accuracy and completeness (95%), a process for resolving contribution payment issues (92%), procedures to identify breaches of the law (95%) and procedures to assess and report breaches (97%).

Slightly fewer had a process for monitoring the payment of contributions (89%) and their own documented procedures for assessing and managing risk (85%).

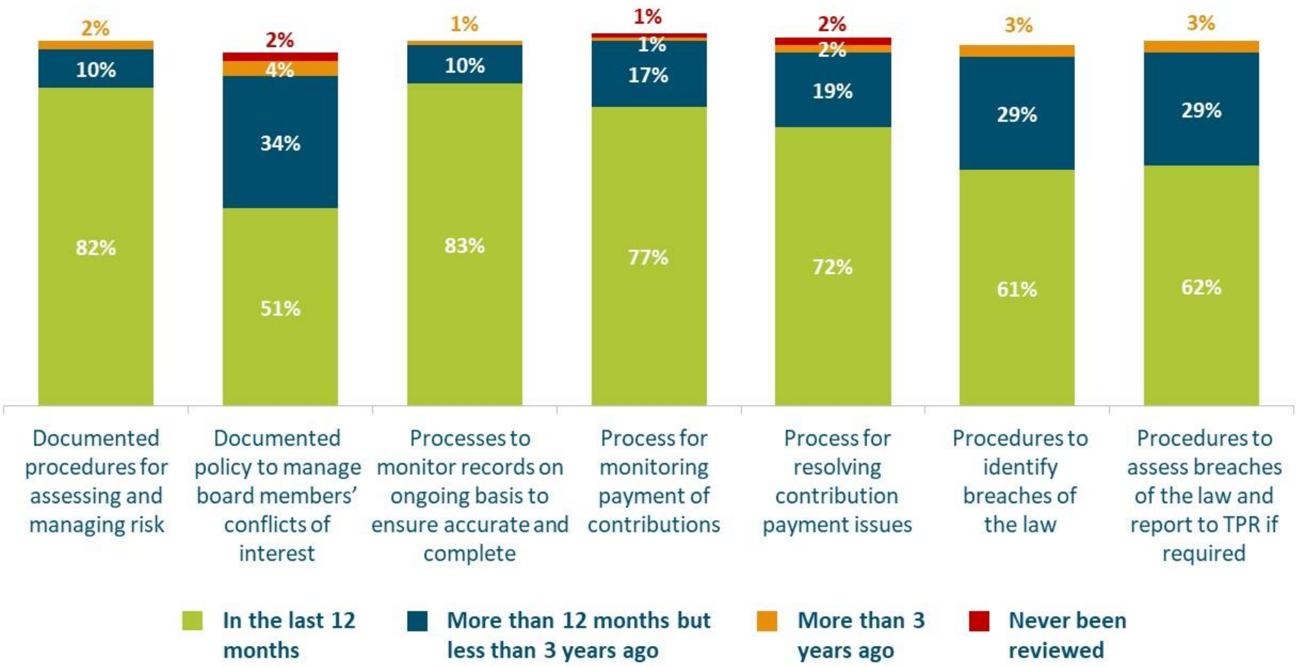
Results were generally consistent with the 2019 survey, with the only changes at the total sample level being an increase in the proportion of schemes with a process to monitor records for accuracy and completeness (+3 percentage points) and a decrease in the proportion with a process for monitoring the payment of contributions (-7 percentage points).

However, there were some changes at a scheme type level. In particular, 'Other' schemes were less likely than in 2019 to have these processes and procedures in place (with the exception of procedures to identify and report breaches of the law). The proportion of Police schemes with a process for monitoring contribution payments and resolving contribution payment issues also fell (by -29 and -13 percentage points respectively).

As summarised in Figure 4.2.1, where schemes had these processes and procedures they had typically reviewed them within the last 12 months. However, this was least likely to be the case for conflicts of interest policies (51%), and procedures to identify (61%) and report (62%) breaches of the law.

Most of the remainder had reviewed these in the last three years, with few schemes last reviewing them more than three years ago (1-4%) or never reviewing them (0-2%).

Figure 4.2.1 When risk management processes and procedures were last reviewed



All with each process/procedure in place (Base, Don't know, Did not answer question) - Assessing & managing risk (164, 5%, 1%), Manage conflicts of interest (178, 7%, 2%), Monitor records to ensure accurate & complete (184, 6%, 1%), Monitoring payment of contributions (173, 3%, 1%), Resolving contribution payment issues (177, 5%, 1%), Identify breaches (184, 6%, 1%), Assess & report breaches (187, 7%, 1%)

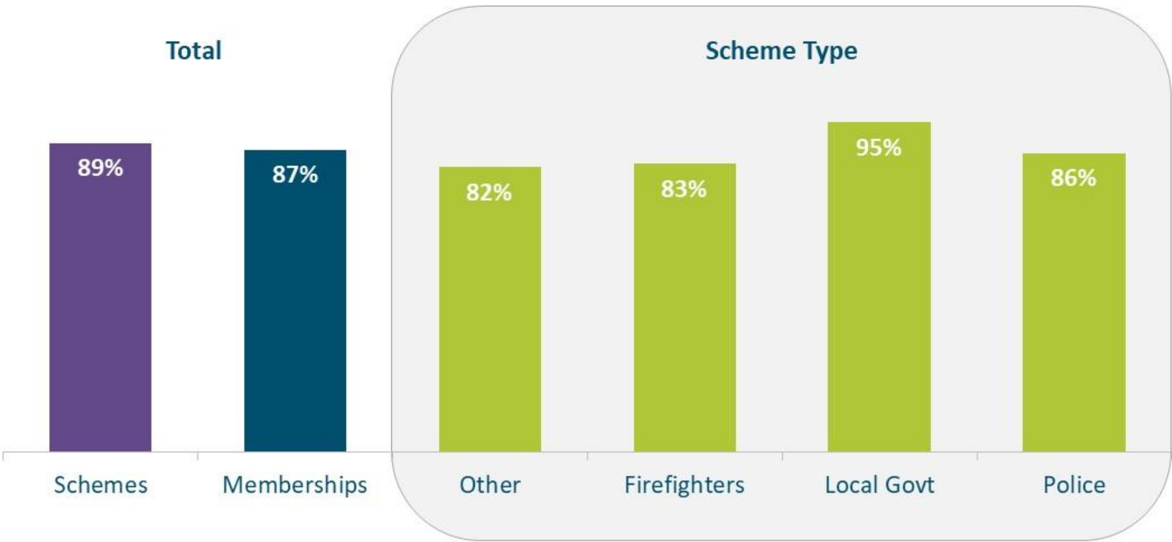
While this varied across the different processes and procedures, 'Other' schemes were generally most likely to have reviewed these in the last 12 months. Firefighters' schemes typically reviewed these less frequently, with this particularly true of the processes relating to contribution payments and breaches of the law.

Table 4.2.2 Proportion reviewing each risk management process and procedure in the last 12 months – by scheme type

	Scheme Type			
	Other	Fire-fighters	Local Govt	Police
Base: All with each process or procedure	*9-10*	*39-46*	*78-92*	*27-42*
Own documented procedures for assessing and managing risk	78%	85%	86%	74%
Documented policy to manage the pension board members' conflicts of interest	80%	45%	49%	54%
Processes to monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	100%	86%	81%	78%
Process for monitoring the payment of contributions	100%	62%	78%	93%
Process for resolving contribution payment issues	89%	60%	70%	88%
Procedures to identify breaches of the law	67%	54%	63%	64%
Procedures to assess breaches of the law and report these to TPR if required	60%	54%	63%	67%

The vast majority (89%) of schemes had a risk register, with this most likely to be the case for Local Government schemes (95%).

Figure 4.2.2 Proportion of schemes with their own risk register



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 1%, 2%), Memberships (193, 0%, 1%), Other (11, 0%, 0%), Firefighters (47, 2%, 2%), Local Govt (93, 0%, 2%), Police (42, 2%, 0%)

The proportion of schemes with a risk register fell slightly since 2019 (89% vs. 93%), with the greatest decline seen for 'Other' schemes (-18 percentage points) and Police schemes (-7 percentage points)[6].

Table 4.2.3 Proportion of schemes with a risk register – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**89%**	**82%**	**83%**	**95%**	**86%**
PSPS Survey 2019	93%	100%	86%	96%	93%
PSPS Survey 2018	94%	100%	87%	98%	93%

Schemes were asked to identify the top three governance and administration risks on their register (or facing the scheme if they did not have a risk register).

Table 4.2.4 Top governance and administration risks

Top Mentions (5%+)	Total		Scheme Type			
	Schemes	Member -ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*193*	11	*47*	*93*	*42*
Remediation (McCloud judgement)	61%	60%	73%	74%	37%	95%
Record-keeping (i.e. receipt and management of correct data)	36%	35%	36%	43%	32%	38%
Securing compliance with changes in scheme regulations	30%	28%	27%	45%	30%	17%
Funding or investment	28%	20%	0%	6%	54%	5%
Cyber risk	26%	15%	9%	26%	23%	36%
Recruitment and retention of staff or knowledge	22%	25%	27%	30%	22%	14%
Lack of resources/time	17%	14%	9%	15%	22%	12%
Systems failures (IT, payroll, administration systems, etc)	15%	23%	27%	15%	16%	12%
Administrator issues (expense, performance, etc)	14%	20%	27%	23%	10%	10%
Guaranteed Minimum Pension (GMP) reconciliation	10%	13%	18%	2%	3%	31%
Production of annual benefit statements	8%	19%	27%	6%	6%	7%

[6] It appears unusual for a scheme to have a risk register one year and not have one the following year. It is not possible for us to know why this is the case. We can only speculate that it may be that a different person each year completes the survey and they have different views or interpret the question differently each year; or it could genuinely be that a scheme had a register previously but no longer have one.

Lack of knowledge, effectiveness or leadership among key personnel	6%	3%	0%	6%	6%	5%
Receiving contributions from the employer(s)	5%	3%	0%	2%	9%	2%
Don't know	1%	0%	0%	0%	1%	0%
Did not answer question	0%	0%	0%	0%	0%	0%

A wide range of risks were reported by schemes but the most prevalent was remediation (61%). This was mentioned by 95% of Police schemes and was also the top risk for 'Other' (73%) and Firefighters' (74%) schemes.

The next most widely identified risks were record-keeping (36%), regulatory compliance (30%), funding or investment (28%) and cyber risk (26%). Funding or investment was the top risk for Local Government schemes (54%) but was rarely mentioned by other scheme types (0-6%).

Irrespective of whether it was identified as one of the top risks they faced, schemes were asked what actions they had taken in relation to the remediation proposals. Table 4.2.5 shows that most had taken a range of different actions, with the most common being assessing the possible administration impacts (88%) and assessing the data requirements (79%).

Table 4.2.5 Actions taken in relation to the remediation proposals

Top Mentions (5%+)	Total		Scheme Type			
	Schemes	Member -ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*193*	11	*47*	*93*	*42*
Assessed the possible administration impacts	88%	90%	91%	79%	89%	95%
Assessed the data requirements	79%	83%	82%	66%	87%	74%
Assessed any additional resources likely to be required	68%	79%	91%	64%	60%	86%
Discussed system requirements with IT suppliers	60%	80%	82%	32%	80%	43%
Commenced a specific data cleansing or data gathering exercise	48%	59%	64%	32%	54%	48%
Provided specific information to members	32%	56%	82%	26%	14%	67%
Other	23%	41%	55%	15%	20%	31%
None of these	2%	1%	0%	4%	2%	0%
Don't know	0%	0%	0%	0%	0%	0%
Did not answer question	0%	0%	0%	0%	0%	0%

Firefighters' scheme had generally taken fewer actions in relation to the remediation proposals than other public service schemes, with this particularly apparent for discussing system requirements with IT suppliers (32%), commencing a data cleansing or data gathering exercise (32%) and assessing the data requirements (66%).

While Local Government schemes were less likely to identify remediation as one of the top risks facing the scheme, the proportions taking each action were broadly consistent with other scheme types. The one exception is that they were less likely to have provided specific information to members (14%).

As detailed in Table 4.2.6, around a third of schemes (35%) had reviewed their exposure to new and existing risks in at least 4 board meetings over the previous 12 months. Most of the remainder had reviewed their risk exposure in 2-3 meetings (42%) but 14% had done so on one occasion and 5% had not reviewed their risk exposure at any board meetings over this period.

On average, schemes reviewed their risk exposure at 2.8 board meetings in the last 12 months. This equated to 84% of all the board meetings held.

‘Other’ and Police schemes were most likely to have reviewed their risk exposure on a regular basis; 73% and 69% respectively had done so in at least four board meetings in the previous 12 months. In comparison, 28% of Firefighters’ and 19% of Local Government schemes had reviewed their risk exposure in four or more board meetings over this period. This is due in part to the lower number of board meetings held by these scheme types in the last 12 months (as detailed in Section 4.1 of this report).

Table 4.2.6 Number of pension board meetings held in last 12 months that reviewed the scheme’s risk exposure

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*11*	*47*	*93*	*42*
None	5%	0%	6%	6%	0%
1	14%	9%	11%	23%	2%
2	20%	9%	26%	24%	7%
3	22%	9%	26%	25%	17%
4	32%	64%	26%	15%	69%
5+	3%	9%	2%	4%	0%
Net: 4 or more	**35%**	**73%**	**28%**	**19%**	**69%**
Mean number of board meetings that reviewed risk exposure	**2.8**	**3.7**	**2.6**	**2.4**	**3.6**
Mean % of board meetings that reviewed risk exposure	**84%**	**82%**	**87%**	**76%**	**96%**

Table 4.2.7 shows that there was no change since 2019 in the overall proportion of schemes that had reviewed risk exposure in at least four board meetings in the previous 12 months. However, there were increases for Police (+22 percentage points) and Firefighters' (+8 percentage points) schemes but a decrease for Local Government schemes (-13 percentage points).

Table 4.2.7 Number of pension board meetings held in last 12 months that reviewed the scheme's risk exposure – Time series

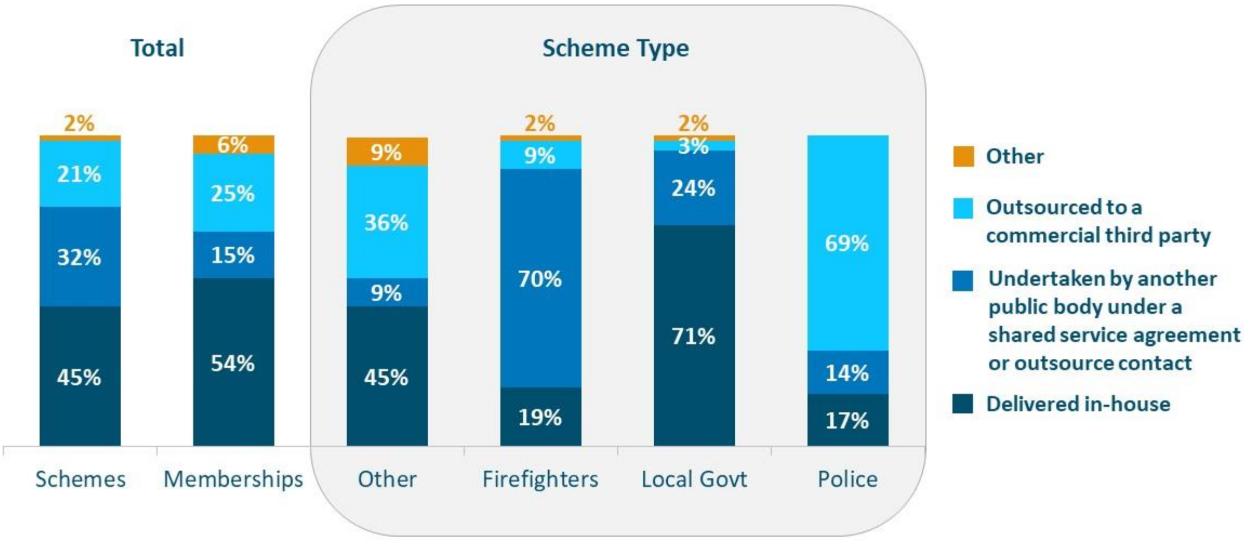
	Survey	Total schemes	Scheme Type			
			Other	Fire-fighters	Local Govt	Police
Reviewed risk exposure in 4 or more board meetings	**2020**	**35%**	**73%**	**28%**	**19%**	**69%**
	2019	35%	73%	20%	32%	47%
Mean % of board meetings that reviewed risk exposure	**2020**	**84%**	**82%**	**87%**	**76%**	**96%**
	2019	77%	98%	78%	68%	92%

4.3 Administration and record-keeping

Around half of schemes (53%) used an external administrator. This included 32% where the administration was undertaken by another public body under a shared service agreement or outsource contract and 21% where the administration was outsourced to a commercial third party.

Most of the remainder (45%) were administered in-house, with 2% using some other form of administration arrangement.

Figure 4.3.1 Scheme administration arrangements



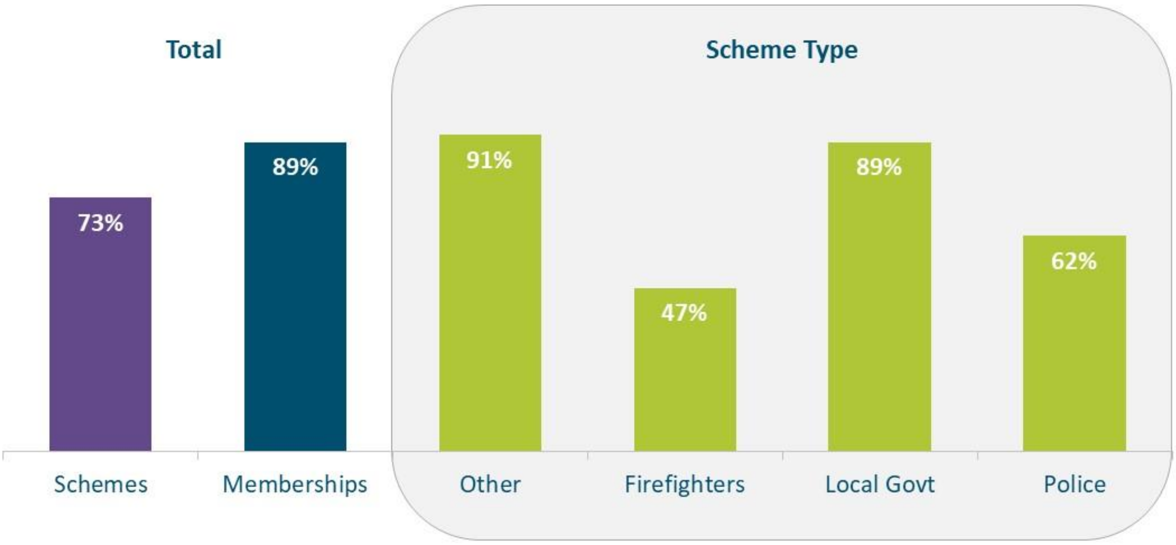
All respondents (Base, Don't know, Did not answer question) - Schemes (193, 0%, 0%), Memberships (193, 0%, 0%), Other (11, 0%, 0%), Firefighters (47, 0%, 0%), Local Govt (93, 0%, 0%), Police (42, 0%, 0%)

There was some variation by scheme type in terms of the administration arrangements. Approaching three-quarters (71%) of Local Government schemes undertook scheme administration in-house, whereas Firefighters' and Police schemes were more likely to outsource it (79% and 83% respectively). Of the latter groups, Firefighters' schemes tended to outsource administration to another public body whereas Police schemes were more likely to use a commercial third party.

Schemes that used an in-house administrator were asked whether they were likely to outsource any aspect of scheme administration in the next three years. Overall, 7% of this group indicated they expected to do so, with 2% planning to outsource to another public body and 2% to a commercial third party (with the remainder unsure as to who they would outsource administration to).

As shown in Figure 4.3.2, almost three-quarters (73%) of schemes had an administration strategy. This was highest among 'Other' (91%) and Local Government (89%) schemes. Overall, 89% of all memberships were in a scheme which had an administration strategy.

Figure 4.3.2 Proportion of schemes with an administration strategy



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 6%, 0%), Memberships (193, 1%, 0%), Other (11, 0%, 0%), Firefighters (47, 2%, 0%), Local Govt (93, 0%, 0%), Police (42, 24%, 0%)

The proportion of Firefighters' and Police schemes with an administration strategy was lower than in 2019 (-10 and -14 percentage points respectively), whereas there was an increase among Local Government schemes (+5 percentage points).

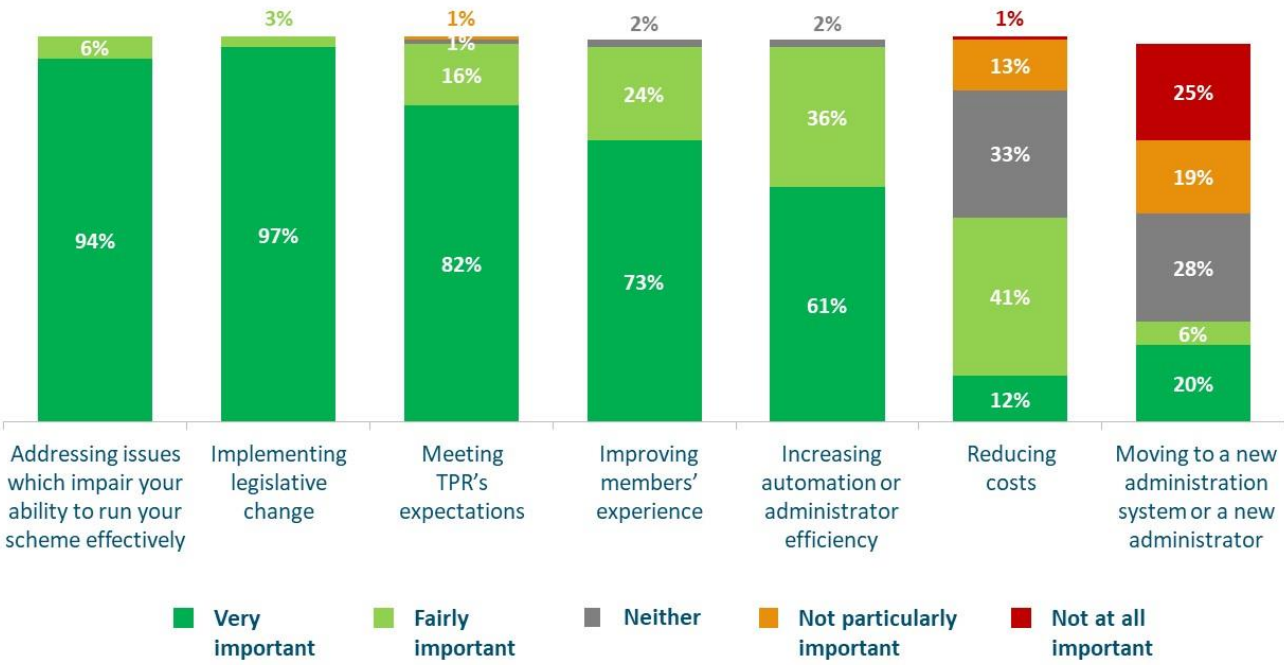
Table 4.3.1 Proportion of schemes with an administration strategy – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**73%**	**91%**	**47%**	**89%**	**62%**
PSPS Survey 2019	76%	91%	57%	84%	76%

Schemes were asked about the importance of a number of administration objectives, as summarised in Figure 4.3.3. Addressing issues which impaired their ability to run the scheme, implementing legislative change, meeting TPR's expectations, improving members' experience and increasing automation or administrator efficiency were all seen as very or fairly important objectives by the vast majority of schemes (97-100%).

In comparison, schemes were typically less focussed on reducing costs (53% very/fairly important) or moving to a new administration system or a new administrator (26% very/fairly important).

Figure 4.3.3 Administration objectives



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 0-2%, 0-1%)

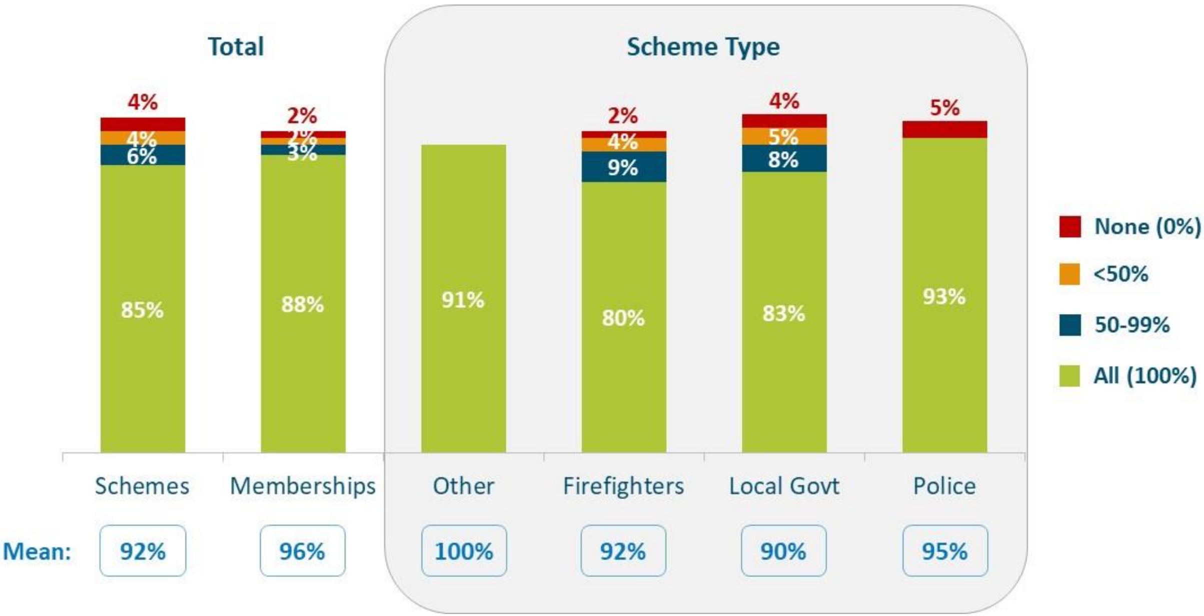
Results were similar across the various types of scheme, although 'Other' schemes were comparatively more likely to view reducing costs (82%) and moving to a new administrator or administration system (45%) as important.

Table 4.3.2 Proportion rating each administration objective as very/fairly important – by scheme type

	Scheme Type			
	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*11*	*47*	*93*	*42*
Addressing issues which impair your ability to run your scheme effectively	100%	100%	100%	100%
Implementing legislative change	100%	98%	100%	100%
Meeting TPR's expectations	91%	98%	99%	100%
Improving members' experience	100%	98%	98%	95%
Increasing automation or administrator efficiency	100%	91%	99%	100%
Reducing costs	82%	57%	49%	48%
Moving to a new administration system or a new administrator	45%	30%	18%	36%

Most schemes (85%) included administration as a dedicated item on the agenda at every pension board meeting held in the previous 12 months. A further 6% covered it in at least half of their board meetings, 4% did so at fewer than half of their meetings and 4% never included it on the agenda.

Figure 4.3.4 Proportion of pension board meetings held in last 12 months that had administration as a dedicated item on the agenda



Base: All that held any board meetings in the last 12 months (Base, Don't know, Did not answer question) - Schemes (191, 0%, 2%), Memberships (191, 0%, 6%), Other (11, 0%, 9%), Firefighters (46, 0%, 4%), Local Govt (92, 0%, 0%), Police (42, 0%, 2%)

Coverage of administration at board meetings has increased over the last two years, with 76% doing this at every board meeting in the 2018 survey, 81% in the 2019 survey and 85% in the 2020-21 survey. This increase was driven by Local Government and Police schemes (+12 and +18 percentage points respectively since 2018).

Table 4.3.3 Proportion of schemes that had administration on the agenda at every board meeting in last 12 months - Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**85%**	**91%**	**80%**	**83%**	**93%**
PSPS Survey 2019	81%	100%	84%	76%	84%
PSPS Survey 2018	76%	100%	80%	71%	75%

Schemes were asked the extent to which, in the last 12 months, the employer(s) had submitted the data required each month on time and had provided accurate and complete data. Single employer schemes were asked whether their participating employer always did this, whereas multi-employer schemes were asked to give the proportion of their employers that always did this. The analysis in Figure 4.3.5 combines the results from both questions.

Overall, 40% of schemes reported that all their employers had always provided the required monthly data on time, and a similar proportion (39%) reported that all their employers had always provided accurate and complete data. However, this differed by scheme type and was lower among ‘Other’ (27% and 18%) and Local Government (9% and 9%) schemes, which are typically multi-employer.

Figure 4.3.5 Proportion of schemes where all employers had always submitted the data required each month on time and had always provided accurate and complete data in the last 12 months

All respondents (Base, Don’t know on time, Did not answer on time, Don’t know accurate/complete, Did not answer accurate/complete) - Schemes (193, 9%, 1%, 9%, 2%), Memberships (193, 4%, 0%, 4%, 1%), Other (11, 0%, 0%, 0%, 0%), Firefighters (47, 6%, 2%, 6%, 2%), Local Govt (93, 9%, 1%, 9%, 2%), Police (42, 14%, 0%, 14%, 0%)

Although ‘Other’ and Local Government schemes were less likely to report that all their employers had submitted data on time and had provided accurate and complete data, the average proportion of employers doing so was broadly similar across the different scheme types (Table 4.3.4). Overall, an average of 87% of scheme employers always provided the required data on time and 85% always provided accurate and complete data in the last 12 months.

Table 4.3.4 Mean proportion of employers that always submitted the data required each month on time and always provided accurate and complete data in the last 12 months

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*193*	*11*	*47*	*93*	*42*
Mean % of employers that always submitted required monthly data on time	87%	88%	89%	84%	86%	91%
Mean % of employers that always provided accurate and complete data	85%	84%	84%	84%	85%	89%

Table 4.3.5 shows that there was no change since 2019 in the overall proportion of schemes reporting that all their employers always submitted the required data on time and always provided accurate and complete data. The mean proportions of employers doing this were also consistent with 2019.

However, there were some changes at a scheme type level; 'Other' and Local Government schemes were more likely to report that all employers had submitted data on time (+9 and +4 percentage points respectively), whereas Firefighters' schemes were less likely to report this than in 2019 (-9 percentage points). The proportion of Local Government schemes reporting that all employers provided accurate and complete data also increased (+7 percentage points).

Table 4.3.5 Provision of on time, accurate and complete data by employers – Time series

	Survey	Total		Scheme Type			
		Schemes	Member -ships	Other	Fire-fighters	Local Govt	Police
All employers (100%) always submitted the required monthly data on time	**2020-21**	**40%**	**22%**	**27%**	**77%**	**9%**	**71%**
	2019	40%	15%	18%	86%	5%	71%
	2018	42%	16%	18%	80%	6%	82%
Mean % of employers that always submitted the required monthly data on time	**2020-21**	**87%**	**88%**	**89%**	**84%**	**86%**	**91%**
	2019	88%	86%	87%	87%	85%	96%
	2018	87%	85%	86%	95%	81%	92%
All employers (100%) always provided accurate and complete data	**2020-21**	**39%**	**16%**	**18%**	**77%**	**9%**	**69%**
	2019	37%	13%	18%	80%	2%	69%
	2018	39%	15%	18%	72%	4%	82%
Mean % of employers that always provided accurate and complete data	**2020-21**	**85%**	**84%**	**84%**	**84%**	**85%**	**89%**
	2019	84%	82%	83%	82%	80%	96%
	2018	84%	82%	84%	89%	79%	90%

As detailed in Table 4.3.6, the proportions of employers that always provided on time, accurate and complete data were much lower for multi-employer schemes than single employer ones. Among multi-employer schemes, 9% said that all their employers always submitted data on time and the same proportion said that all their employers always provided accurate and complete data (compared with 85% and 83% respectively for single employer schemes).

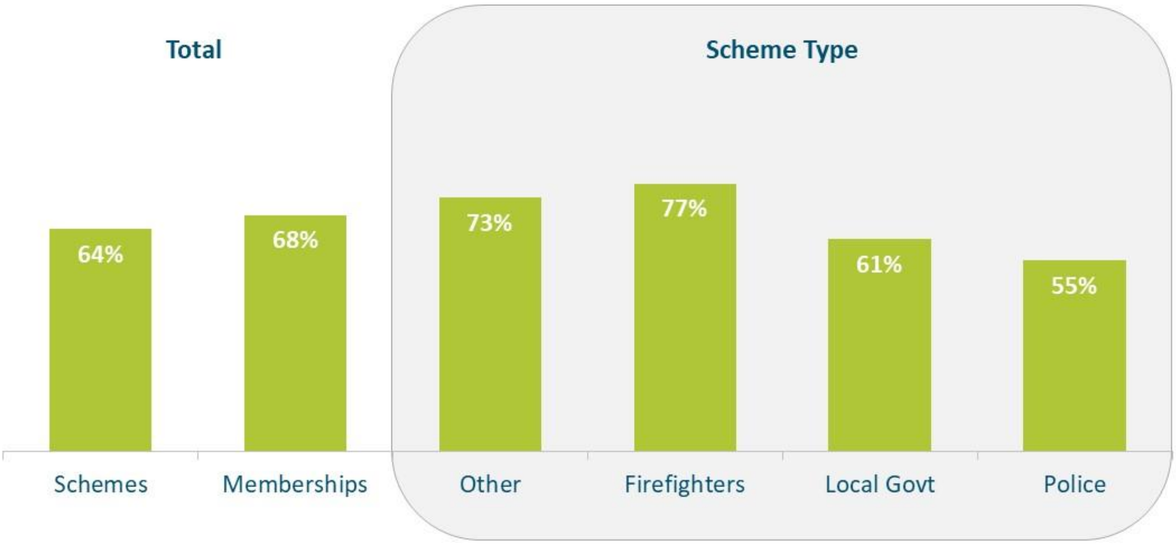
Table 4.3.6 Provision of on time, accurate and complete data by employers – by single and multi-employer schemes

	Single employer schemes	Multi-employer schemes
Base: All respondents	*78*	*115*
All employers (100%) always submitted the required monthly data on time	85%	9%
All employers (100%) always provided accurate and complete data	83%	9%

Schemes were also asked the extent to which the employer(s) had submitted data electronically in the last 12 months. Single employer schemes were asked whether their participating employer had submitted all, some or no data electronically, and multi-employer schemes were asked to give the proportion of their employers that had provided all, some and no data electronically. The results for both groups have been combined in the analysis below.

Approaching two-thirds (64%) of schemes reported that all their employers had submitted all data electronically in the last 12 months. This applied to around three-quarters of Firefighters' (77%) and 'Other' (73%) schemes but was lower for Local Government (61%) and Police (55%) schemes.

Figure 4.3.6 Proportion of schemes where all employers had submitted all data electronically in the last 12 months



All respondents (Base, Don't know, Did not answer) - Schemes (193, 6%, 1%), Memberships (193, 3%, 0%), Other (11, 0%, 0%), Firefighters (47, 2%, 2%), Local Govt (93, 6%, 0%), Police (42, 10%, 0%)

Table 4.3.7 shows that, on average, 80% of scheme employers submitted all data electronically in the last 12 months, 17% submitted some data electronically and 4% did not submit any data electronically. The mean proportion of employers submitting all data electronically was lowest for Police schemes (61%).

Table 4.3.7 Mean proportion of employers that submitted data electronically in the last 12 months

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*193*	*11*	*47*	*93*	*42*
Mean % of employers that submitted **all data** electronically	80%	89%	91%	80%	87%	61%
Mean % of employers that submitted **some data** electronically	17%	9%	8%	16%	8%	39%
Mean % of employers that submit **no data** electronically	4%	3%	1%	4%	6%	0%

As detailed in Table 4.3.6, there was little difference in the proportions of single and multi-employer schemes who reported that all employers submitted all data electronically.

Table 4.3.8 Proportion of schemes where all employers had submitted all data electronically in the last 12 months – by single and multi-employer schemes

	Single employer schemes	Multi-employer schemes
Base: All respondents	*78*	*115*
All employers (100%) submitted **all data** electronically	69%	61%

No comparative data is available from previous years due to changes in the way that this data was captured in the 2020-21 survey.

4.4 Cyber security

Schemes were asked whether they had 14 specific controls in place to protect their data and assets from cyber risk. Overall, 90% had at least half of these controls in place, an increase from 82% in 2019.

Table 4.4.1 Proportion of schemes with controls to protect their data and assets from 'cyber risk' – Time series

	Survey	
	2020-21	**2019**
Base: All respondents	*193*	*202*
System controls (e.g. firewalls, anti-virus/malware, software updates)	**95%**	90%
Controls restricting access to systems and data	**93%**	89%
Critical systems and data regularly backed up	**93%**	88%
Policies on the acceptable use of devices, passwords/other authentication and on home/mobile working	**91%**	87%
Policies on data access, protection, use and transmission in line with data protection legislation and guidance	**90%**	87%
Cyber risk is on the risk register and regularly reviewed	**86%**	84%
Scheme manager assured themselves of third party providers' controls	**83%**	71%
Access to specialist skills and expertise to understand and manage risk	**74%**	68%
Incident response plan to deal with any incidents which occur	**71%**	71%
Roles and responsibilities on cyber resilience clearly defined and documented	**69%**	65%
Assessment of vulnerability to a cyber incident of key functions, systems, assets and parties involved in running the scheme	**68%**	63%
Assessment of likelihood of different types of breaches occurring	**65%**	53%
Scheme manager receives regular updates on cyber risks, incidents and controls	**62%**	52%
Pension board receives regular updates on cyber risks, incidents and controls	**56%**	49%
None of these	**0%**	0%
Net: At least half of these cyber controls in place (7+)	**90%**	82%
Mean number of cyber controls in place	**11**	10
Don't know	**1%**	4%
Did not answer question	**0%**	1%

The most common types of cyber protection were system controls such as firewalls, anti-virus products and regular software updates (95%), controls restricting access to systems and data (93%), regular back-ups of critical systems and data (93%), policies on acceptable use of devices, passwords, other authentication and home and mobile working (91%) and policies on data access, protection, use and transmission in line with data protection legislation and guidance (90%).

Schemes were least likely to say that the pension board or scheme received regular updates on cyber risks, incidents and controls (56% and 62% respectively).

For 11 of the 14 cyber controls, the proportion of schemes with these in place was higher than in 2019[7]. The greatest increases were seen for the scheme manager assuring themselves of third party providers' controls (+12 percentage points), assessment of the likelihood of different types of breaches occurring (+12 percentage points) and the scheme manager receiving regular updates (+10 percentage points). The only controls where there was not an increase since 2019 were cyber risk being included on the risk register and regularly reviewed, schemes having an incident response plan, and roles and responsibilities on cyber resilience being clearly defined and documented.

Table 4.4.2 shows 34% of schemes had experienced some kind of cyber breach or attack in the previous 12 months, a decrease from 42% in 2019. These incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (29%).

Table 4.4.2 Proportion of schemes experiencing any cyber security breaches or attacks in last 12 months (including at their administration provider) – Time series

	Survey	
	2020-21	2019
Base: All respondents	***193***	*202*
Staff receiving fraudulent emails or being directed to fraudulent websites	**29%**	33%
People impersonating scheme in emails or online	**7%**	8%
Computers becoming infected with other viruses, spyware or malware	**2%**	1%
Attacks that try to take down website or online services	**2%**	10%
Unauthorised use of computers, networks or servers by staff, even if accidental	**2%**	1%
Unauthorised use or hacking of computers, networks or servers by people outside scheme	**1%**	3%
Computers becoming infected with ransomware	**1%**	0%
Hacking or attempted hacking of online bank accounts	**0%**	0%
Any other types of cyber security breaches or attacks	**7%**	4%
None of these	**60%**	49%
Net: Any cyber incidents reported in last 12 months	**34%**	42%
Don't know	**5%**	8%
Did not answer question	**2%**	1%

[7] The increases shown in Table 4.4.1 were statistically significant for all controls except 'Cyber risk is on risk register & regularly reviewed', 'Incident response plan to deal with any incidents which occur', and 'Roles and responsibilities on cyber resilience clearly defined and documented'.

Those schemes that had experienced any cyber breaches or attacks in the previous 12 months were asked what, if anything, had happened as a result. Most (92%) said that there had been no impact but 5% reported a negative impact. This equates to 2% of all public service schemes (i.e. including those that did not experience any cyber incidents or breaches), a decrease from the 6% seen in the 2019 survey.

The negative impacts reported were money being stolen (3%), permanent loss of files (2%), temporary loss of access to files or networks (2%), the scheme's website or online services being taken down or made slower (2%) and personal data being altered, destroyed or taken (1%).

Table 4.4.3 Impact of cyber security breaches or attacks experienced in last 12 months

	Survey	
	2020-21	**2019**
Base: All experiencing cyber security breaches or attacks	***65***	*84*
Money stolen	**3%**	1%
Permanent loss of files (other than personal data)	**2%**	0%
Temporary loss of access to files or networks	**2%**	2%
Website or online services taken down or made slower	**2%**	5%
Personal data altered, destroyed or taken	**1%**	1%
Software or systems corrupted or damaged	**0%**	0%
Lost or stolen assets, trade secrets or intellectual property	**0%**	0%
Lost access to any third-party services relied on	**0%**	10%
None of these	**92%**	81%
Net: Any impact reported in last 12 months	**5%**	15%
Don't know	**2%**	1%
Did not answer question	**2%**	2%

Table 4.4.4 provides a summary based on memberships. Overall, 96% of memberships were in a scheme that had at least half of the cyber controls in place, an increase from 92% in 2019.

Almost half (47%) of memberships were in a scheme that had experienced any cyber breaches or attacks in the previous 12 months (an increase from 40% in 2019). However, there was a fall in the proportion of memberships that were in a scheme which reported a negative impact of any cyber incidents (12% of those in a scheme that had experienced breaches or attacks, compared with 21% in 2019).

Table 4.4.4 Summary of cyber controls and breaches/attacks by memberships – Time series

	Survey	Total memberships
Proportion with at least half of the cyber risk controls in place (i.e. 7 or more) *(All schemes)*	**2020-21**	**96%**
	2019	92%
Proportion experiencing any cyber breaches/ attacks in last 12 months *(All schemes)*	**2020-21**	**47%**
	2019	40%
Proportion reporting any impact of cyber breaches/attacks in last 12 months *(All experiencing breaches/attacks)*	**2020-21**	**12%**
	2019	21%

Schemes that had experienced any cyber security breaches or attacks in the last 12 months were also asked if they had reported these to various organisations or people. A fifth (20%) had reported the breaches or attacks to any of these parties, and this was typically to the pension board (14%) and/or scheme members (8%).

All three of the schemes that experienced a negative impact from a cyber breach/attack reported this to their pension board, two reported it to the ICO, one to TPR and one to members.

Table 4.4.5 Proportion of schemes reporting cyber breaches or attacks

	Total schemes
Base: All who experienced any cyber security breaches/attacks	*65*
The pension board	14%
Members of your scheme	8%
Information Commissioners Office	3%
TPR	1%
None of these	71%
Net: Reported to any of these	**20%**
Don’t know	5%
Did not answer question	5%

Schemes who had experienced any cyber breaches or attacks in the last 12 months and had an incidence response plan (IRP) were asked if any of the breaches/attacks had triggered the IRP. Of the 52 schemes that this applied to, 11% stated that their IRP had been triggered.

The six schemes that had triggered their IRP all judged this to have been very or fairly effective, and four of them had subsequently made changes to their IRP as a result of this experience.

4.5 Annual benefit statements

In 2020, three-quarters (74%) of schemes sent active members their annual benefit statements by post. The next most common method was via a digital online portal with notification by email (49%). Almost half of schemes (44%) sent out statements by more than one method.

Table 4.5.1 Methods used to send active members their annual benefit statements in 2020

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*193*	*11*	*47*	*93*	*42*
By post	74%	83%	82%	72%	87%	45%
Via a digital online portal, with notification by email	49%	37%	27%	34%	52%	64%
Via a digital online portal, with no notification	15%	28%	36%	9%	16%	14%
Via a digital online portal, with notification by letter	11%	5%	0%	9%	14%	10%
Other ways	9%	19%	27%	6%	5%	17%
Used more than one method	**44%**	**53%**	**55%**	**28%**	**51%**	**45%**

On average, 46% of each scheme's active members were sent their statements by post and 36% via an online portal with email notification. Most of the remainder also received their statements via an online portal, either with no notification (9%) or with notification by letter (5%).

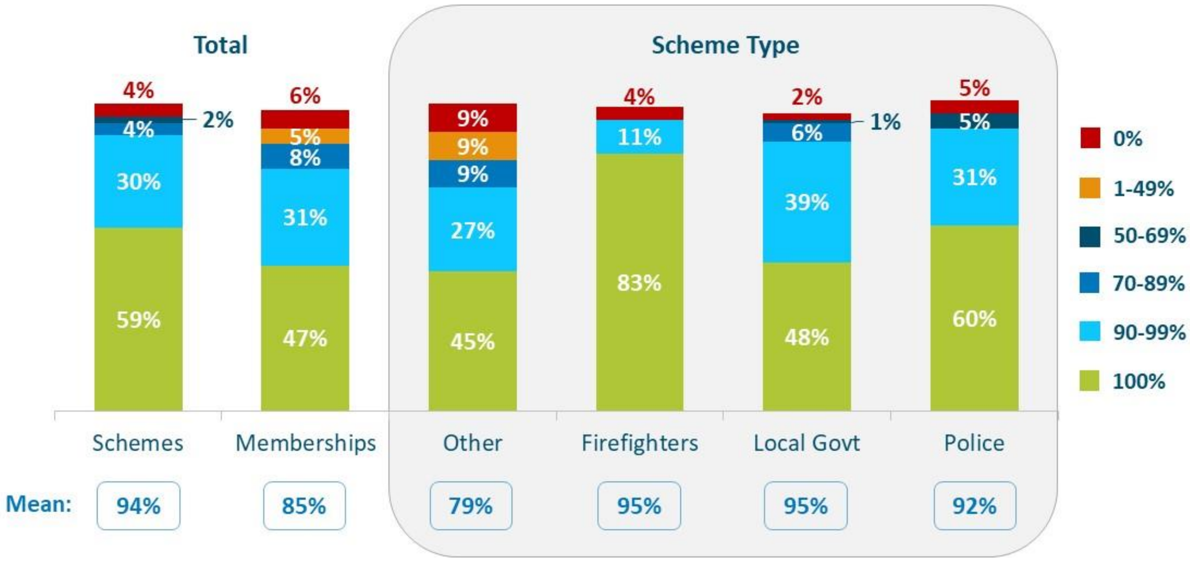
Table 4.5.2 Mean proportion of active members sent their annual benefit statements via each method in 2020

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*193*	*11*	*47*	*93*	*42*
By post	46%	51%	55%	63%	47%	21%
Via a digital online portal, with notification by email	36%	20%	10%	28%	36%	53%
Via a digital online portal, with no notification	9%	20%	27%	5%	9%	10%
Via a digital online portal, with notification by letter	5%	3%	0%	5%	7%	3%
Other ways	6%	6%	7%	6%	3%	12%

Over half of schemes (59%) reported that all of their active members had received their annual benefit statement (ABS) by the statutory deadline in 2020.

The mean proportion of each scheme's active members that received their statement by the deadline was 94%. When the data is weighted to reflect the number of memberships in each scheme, this shows that 85% of all active members received their ABS by the deadline.

Figure 4.5.1 Proportion of active members receiving annual benefit statement by statutory deadline in 2020



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 2%, 0%), Memberships (193, 1%, 0%), Other (11, 0%, 0%), Firefighters (47, 2%, 0%), Local Govt (93, 3%, 0%), Police (42, 0%, 0%)

Firefighters' schemes were most likely to have met the ABS deadline for all their active members in 2020 (83%), followed by Police schemes (60%). This proportion was lower for 'Other' (45%) and Local Government (48%) schemes, both of which are primarily multi-employer schemes and typically have a greater number of memberships.

The mean proportion of active members receiving their statement by the deadline was also lower for 'Other' schemes (79% vs. 92-95% for other scheme types).

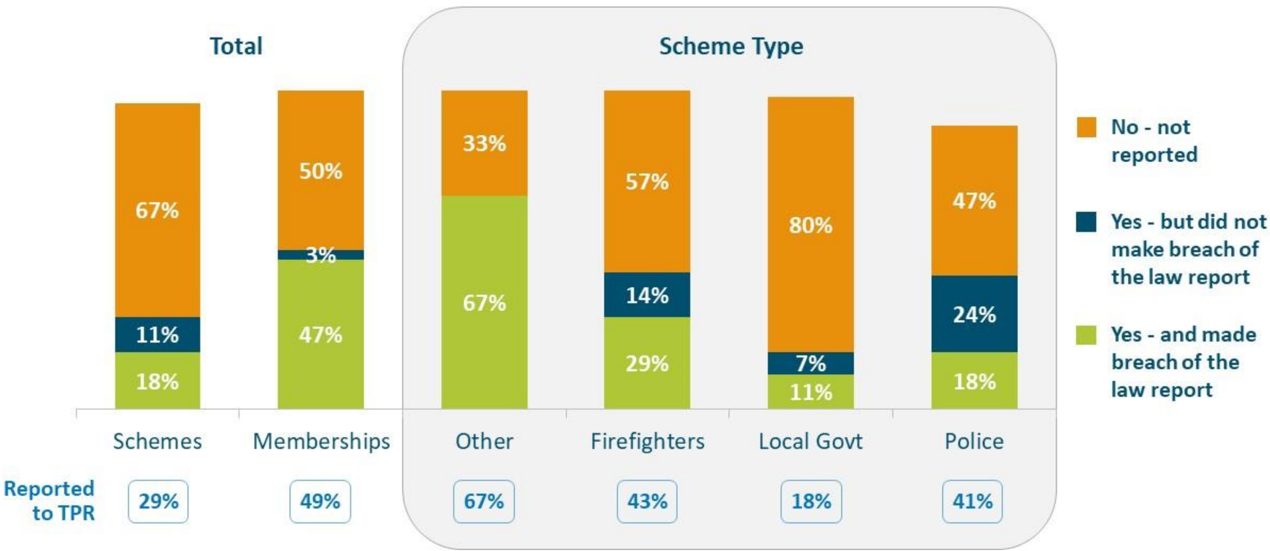
As shown in Table 4.5.3, the mean percentage of active members who received their ABS by the deadline was similar in each of the last three years (94-95%). However, the proportion of schemes that met the deadline for all their active members increased since 2019 (from 53% to 59%), although this was still lower than in 2018 (66%). This change from 2019 was driven by an increase among Firefighters' scheme (+16 percentage points).

Table 4.5.3 Proportion of active members receiving annual benefit statement by statutory deadline – Time series

	Survey	Total schemes	Scheme Type			
			Other	Firefighters	Local Govt	Police
Mean	**2020-21**	**94%**	**79%**	**95%**	**95%**	**92%**
	2019	95%	80%	98%	96%	90%
	2018	95%	96%	97%	93%	95%
100% received by deadline	**2020-21**	**59%**	**45%**	**83%**	**48%**	**60%**
	2019	53%	45%	67%	44%	60%
	2018	66%	55%	78%	56%	75%

The schemes that missed the ABS deadline for any of their active members were asked whether they reported this to TPR. Overall, 29% of this group had done so, with 18% making a breach of the law report.

Figure 4.5.2 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements



All where deadline was missed for any active members (Base, Don't know, Did not answer question) - Schemes (75, 3%, 1%), Memberships (75, 0%, 1%), Other (6, 0%, 0%), Firefighters (7, 0%, 0%), Local Govt (45, 0%, 2%), Police (17, 12%, 0%) – Caution: Low base sizes for individual scheme types

Two-thirds (67%) of 'Other' schemes that missed the deadline reported this to TPR, with all of these making a breach of the law report. This fell to 43% of Firefighters', 41% of Police and 18% of Local Government schemes. However, this analysis is based only on a small number of interviews due to the low number of schemes that missed the ABS deadline for any of their active members.

As detailed in Table 4.5.4, fewer schemes who missed the ABS deadline reported this to TPR than in 2019 (29%, compared with 42% in 2019).

Table 4.5.4 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**29%**	**67%**	**43%**	**18%**	**41%**
PSPS Survey 2019	42%	83%	75%	30%	33%
PSPS Survey 2018	34%	80%	11%	33%	40%

The majority (62%) of the schemes that did not report the missed deadline to TPR indicated that this was because it was not considered material as few statements were affected. A further 28% stated that it was not material as there was a very short delay, 4% indicated it was due to the COVID-19 situation and 4% did not report it because it was due to delays or queries by the employer.

As detailed in Figure 4.5.3, 92% of schemes reported that all the annual benefit statements they sent out to members in 2020 contained all the data required by regulations. The mean was 99%. Both of these were unchanged from 2019.

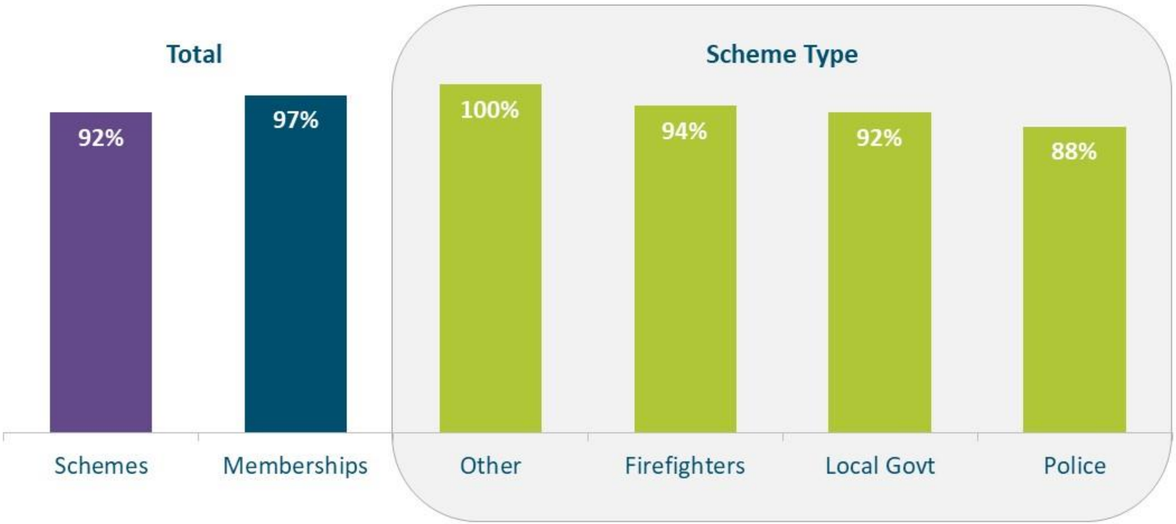
Figure 4.5.3 Proportion of annual benefit statements sent out in 2020 that contained all data required by regulations

All respondents (Base, Don't know, Did not answer question) - Schemes (193, 2%, 1%), Memberships (193, 1%, 0%), Other (11, 0%, 0%), Firefighters (47, 2%, 2%), Local Govt (93, 3%, 0%), Police (42, 0%, 0%)

4.6 Resolving issues

The majority (92%) of schemes had a working definition of what constitutes a complaint, and this was the case for every 'Other' scheme (100%).

Figure 4.6.1 Proportion of schemes with working definition of a complaint



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 2%, 1%), Memberships (193, 1%, 0%), Other (11, 0%, 0%), Firefighters (47, 0%, 2%), Local Govt (93, 1%, 0%), Police (42, 7%, 0%)

The proportion with a working definition of a complaint increased from 85% in 2019 to 92% in the 2020-21 survey. This was driven by increases for both Firefighters' and Local Government schemes (+12 and +10 percentage points respectively).

Table 4.6.1 Proportion of schemes with working definition of a complaint – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**92%**	**100%**	**94%**	**92%**	**88%**
PSPS Survey 2019	85%	100%	82%	82%	91%
PSPS Survey 2018	86%	91%	83%	85%	91%

Schemes were asked to provide details of the number of complaints they had received in the previous 12 months. This data has been used to estimate the total number of complaints received by public service schemes and show the number of complaints per 1,000 members, as set out in Table 4.6.2.

Overall, an estimated 10,466 complaints were made to public service schemes in the previous 12 months, equating to 0.6 complaints per 1,000 members. This was a similar ratio to that seen in the 2019 survey (0.7).

Firefighters' and 'Other' schemes were proportionally most likely to generate complaints, receiving 1.0 and 0.7 complaints per 1,000 members respectively.

In comparison, Police schemes received 0.4 and Local Government schemes received 0.3 complaints per 1,000 members.

Table 4.6.2 Estimated total complaints received in last 12 months

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Total memberships	18,360,832	11,058,653	123,431	6,791,973	386,775
Mean number of complaints	52	744	2	21	3
Total complaints (grossed up)	10,466	8,185	124	2,020	138
Share of all memberships	100%	60%	1%	37%	2%
Share of all complaints	100%	78%	1%	19%	1%
Complaints per 1,000 members	**0.6**	**0.7**	**1.0**	**0.3**	**0.4**

Schemes were also asked to provide details of the number of complaints entering and upheld by their Internal Dispute Resolution (IDR) process in the previous 12 months. Table 4.6.3 shows this data, presented as the proportion of all complaints received in the last 12 months. On average, 50% of all complaints entered the IDR process and 22% of these were subsequently upheld.

Table 4.6.3 Proportion of complaints that entered the IDR process and proportion upheld in the last 12 months

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Proportion of complaints that entered the IDR process (mean)	50%	50%	77%	39%	54%
Proportion of those complaints entering the IDR process that were upheld (mean)	22%	34%	25%	22%	14%

Complaints made to Firefighters' schemes were most likely to enter the IDR process (77% respectively), whereas this was least likely to happen in Local Government schemes (39%). The proportion of complaints that were upheld by the IDR process was highest for 'Other' schemes (34%) and lowest for Police schemes (14%).

As detailed in Table 4.6.4, the most common types of complaints that entered the IDR process related to eligibility for ill health benefit (46%), followed by disputes or queries about the amount of benefit paid (39%), inaccuracies or disputes around pension value or definitions (23%) and delay or refusal of pension transfer (18%).

Eligibility for ill health benefit was the most common type of complaint that entered the IDR process for Local Government schemes (68%), whereas this was mentioned by comparatively few Police schemes (5%). For 'Other' schemes the most common complaint was inaccurate data held or statements issued (50%), for Firefighters' schemes it was disputes or queries about the amount of benefit paid (45%), and this was also the top complaint among Police schemes (24%) along with inaccuracies or disputes around pension value or definitions (24%).

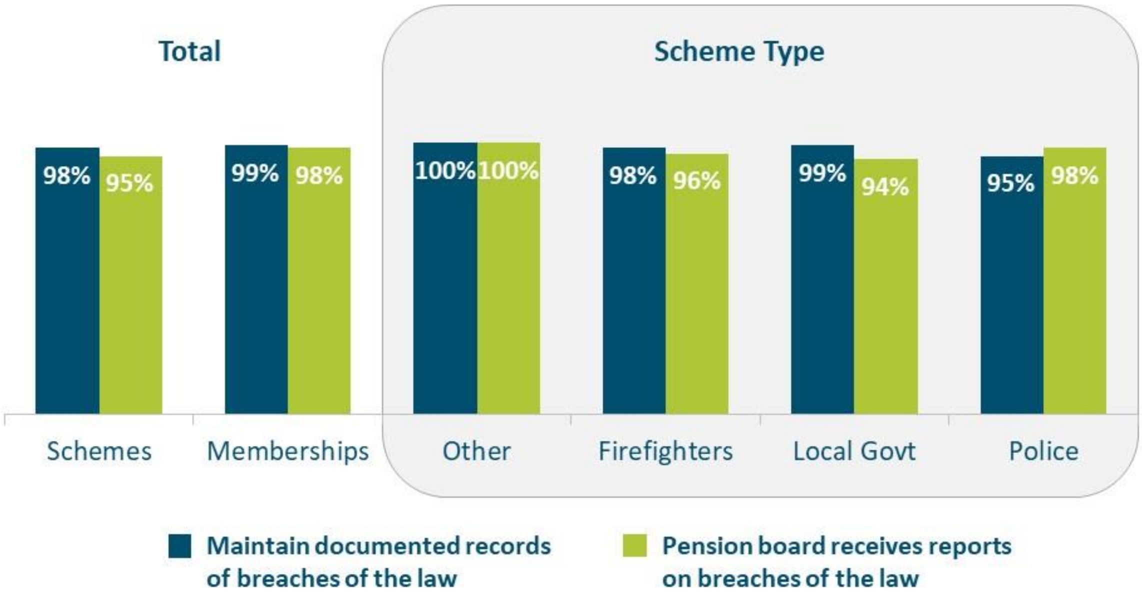
Table 4.6.4 Most common types of complaints entering IDR process in the last 12 months

Top Mentions (5%+ at total level)	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All with complaints entering the IDR process in last 12 months	*136*	*10*	*29*	*76*	*21*
Eligibility for ill health benefit	46%	40%	21%	68%	5%
Disputes or queries about the amount of benefit paid	39%	40%	45%	41%	24%
Inaccuracies or disputes around pension value or definitions	23%	20%	24%	22%	24%
Delay or refusal of pension transfer	18%	10%	7%	24%	19%
Delays to benefit payments	14%	20%	14%	14%	10%
Slow or ineffective communication	12%	10%	0%	18%	10%
Inaccurate data held and/or statement issued	12%	50%	0%	11%	14%
Pension overpayment and recovery	12%	40%	17%	4%	19%
Don't know	5%	10%	3%	3%	14%
Did not answer question	0%	0%	0%	0%	0%

4.7 Reporting breaches

The vast majority of schemes maintained documented records of any breaches of the law identified (98%) and indicated that that the pension board received reports on any such breaches (95%). In both cases this applied to 100% of 'Other' schemes.

Figure 4.7.1 Proportion of schemes maintaining documented records of any breaches of the law and providing the pension board with reports on any breaches of the law identified



All respondents (Base, Don't know if maintain documented records, Did not answer if maintain documented records, Don't know if pension board receives reports, Did not answer if pension board receives reports) - Schemes (193, 2%, 0%, 02, 0%), Memberships (193, 0%, 0%, 1%, 0%), Other (11, 0%, 0%, 0%, 0%), Firefighters (47, 2%, 0%, 2%, 0%), Local Govt (93, 0%, 0%, 2%, 0%), Police (42, 5%, 0%, 2%, 0%)

Of those that maintained documented records of breaches of the law, 95% indicated that these included the decision taken on whether to report the breach to TPR. Again, this applied to all 'Other' schemes (100%).

Table 4.7.1 Proportion of schemes where the documented records on breaches of the law include the decision taken on whether to report it to TPR

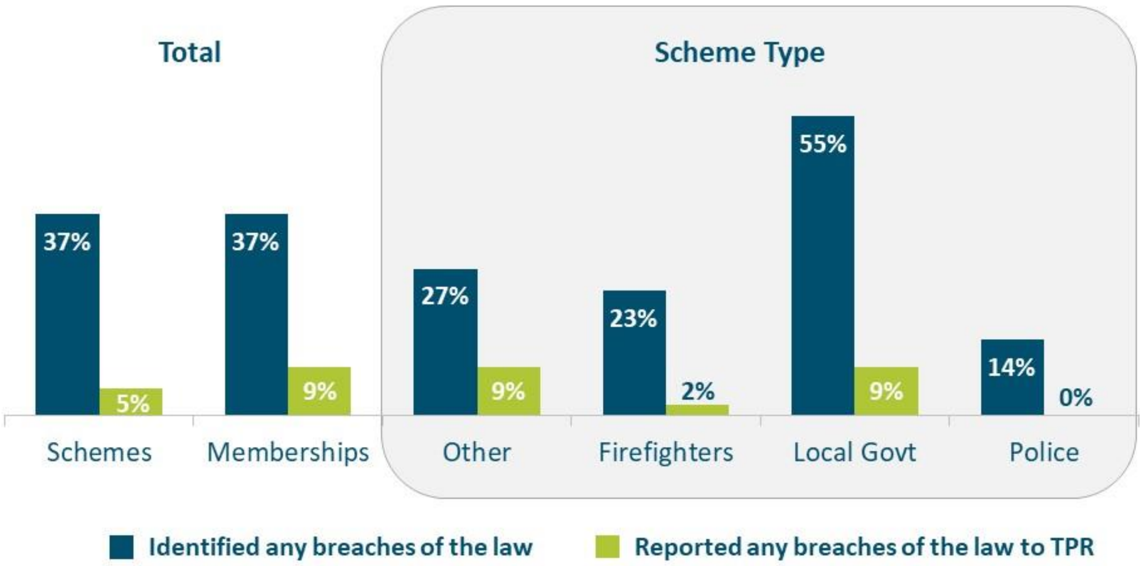
	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
Base: All maintaining records of breaches of the law	*189*	*189*	*11*	*46*	*92*	*40*
Records include decision on whether to report the breach to TPR	95%	97%	100%	98%	91%	98%

The survey also captured data on the proportion of schemes that had identified any breaches of the law and had reported any breaches to TPR in the previous 12 months, as summarised in Figure 4.7.2. For these questions, schemes were asked to exclude any breaches of the law relating to annual benefit statements.

Over a third of schemes (37%) had identified non-annual benefit statement breaches of the law in the previous 12 months, and 5% had reported breaches to TPR in this period as they thought they were materially significant. This means that 14% of those schemes that identified breaches in the last 12 months had reported them to TPR.

The proportion identifying breaches in the previous 12 months was highest for Local Government schemes (55%) and lowest for Police schemes (14%). 'Other' schemes were proportionally most likely to have reported any breaches of the law to TPR; 27% had identified any breaches and a third of these (9% overall) had reported them. In contrast, no Police schemes had reported any breaches of the law to TPR in the last 12 months.

Figure 4.7.2 Proportion of schemes that identified breaches of the law and reported any breaches to TPR in last 12 months (excluding those relating to annual benefit statements)



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 1%, 0%), Memberships (193, 0%, 0%), Other (11, 0%, 0%), Firefighters (47, 0%, 0%), Local Govt (93, 1%, 0%), Police (42, 0%, 0%)

Larger schemes were more likely to have identified non-ABS breaches than smaller schemes; 56% of those with over 30,000 memberships had done so in the previous 12 months, compared with 37% of those with 5,001-30,000 memberships and 15% of those with 5,000 or fewer memberships. The proportion reporting breaches to TPR followed a broadly similar pattern with 10% of those with over 30,000 memberships reporting a breach, compared with 3% of those with 5,001-30,000 memberships and 2% of those with 5,000 or fewer memberships.

Where breaches of the law were identified, they were most commonly attributed to the scheme's employers. A third (31%) of those identifying breaches stated that these were caused by late or non-payment of contributions by the employer(s), 28% cited failure of the employer(s) to provide timely, accurate or complete data and a further 11% mentioned other employer-related issues.

Aside from employer-related issues, the most common causes of breaches of the law were systems or process failure (28%), management of transactions (28%) and failure to maintain records or rectify errors (21%).

Table 4.7.2 Causes of breaches of the law identified (excluding those relating to annual benefit statements)

	Total	
	Schemes	Memberships
Base: All identifying breaches of the law (not related to ABS)	*71*	*71*
Late or non-payment of contributions by the employer(s)	31%	37%
Failure of the employer(s) to provide timely, accurate or complete data	28%	34%
Systems or process failure	28%	30%
Management of transactions (e.g. errors or delays in payment of benefits)	28%	29%
Failure to maintain records or rectify errors	21%	10%
Other employer-related issues[8]	11%	8%
Other[9]	28%	32%
Don't know	0%	0%
Did not answer question	0%	0%

[8] Schemes were asked to provide details or any 'other employer-related issues' and the most common were employer failure to meet the required timescales (4%) and employer data protection breaches (4%).

[9] The most widely mentioned 'other' reasons were Failure to meet required timescales (13%), Data protection breaches (6%)

4.8 Addressing governance and administration issues

All schemes were asked to identify the top three barriers to improving their governance and administration over the next 12 months.

The most widely mentioned were the remediation process (65%), the complexity of their scheme (62%) and the volume of changes required to comply with legislation (61%). In addition, 35% identified lack of resources or time as one of the top barriers, and 28% mentioned retention of staff and knowledge.

Table 4.8.1 Barriers to improving governance and administration over next 12 months

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*11*	*47*	*93*	*42*
The remediation process (also referred to as 'McCloud' or 'Sergeant')	65%	91%	79%	47%	81%
Complexity of the scheme	62%	27%	77%	60%	60%
The volume of changes that are required to comply with legislation	61%	45%	60%	63%	60%
Lack of resources or time	35%	18%	23%	44%	33%
Recruitment, training and retention of staff and knowledge	28%	55%	23%	29%	26%
Employer compliance	12%	0%	2%	25%	0%
Issues with systems (IT, payroll, administration systems, etc.)	12%	27%	13%	11%	12%
Lack of knowledge, effectiveness or leadership among key personnel	2%	0%	0%	2%	5%
Poor communications between key personnel	0%	0%	0%	0%	0%
Other barriers	7%	18%	9%	8%	0%
There are no barriers	1%	0%	2%	0%	0%
Don't know	1%	0%	0%	0%	2%
Did not answer question	0%	0%	0%	0%	0%

The remediation process was the most commonly identified barrier for 'Other' (91%), Firefighters' (79%) and Police schemes (81%), but fewer Local Government schemes selected it as one of the top three barriers they faced (47%).

Instead, the most commonly identified barriers by Local Government schemes were the volume of changes required to comply with legislation (63%) and the complexity of the scheme (60%). Both of these were also widely mentioned by Firefighters' schemes (60% and 77% respectively) and Police schemes (60% in each case).

Schemes were also asked to what they would attribute any improvements made to their governance and administration in the last 12 months. A variety of improvement drivers were identified but the major one was better understanding of the risks facing the scheme (68%), followed by better understanding of the underlying legislation and standards expected by TPR (46%) and resources being increased or redeployed to address risks (42%).

Table 4.8.2 Drivers of improvements to governance and administration in last 12 months

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*11*	*47*	*93*	*42*
Improved understanding of the risks facing the scheme	68%	64%	72%	63%	74%
Improved understanding of underlying legislation and standards expected by TPR	46%	18%	43%	43%	62%
Resources increased or redeployed to address risks	42%	82%	23%	51%	33%
Administrator action[10]	31%	27%	26%	39%	21%
Pension board action[11]	23%	45%	21%	17%	31%
Scheme manager action[12]	22%	36%	15%	29%	12%
Improved engagement by TPR	14%	9%	13%	11%	21%
Other[13]	8%	0%	6%	11%	5%
No improvements made in the last 12 months	6%	0%	17%	2%	5%
Don't know	0%	0%	0%	0%	0%
Did not answer question	0%	0%	0%	0%	0%

[10] The most widely mentioned 'administrator actions' were improved administration processes/systems/strategy (7%), data review/improvement (7%), improved/increased use of technology/automation (6%), improved/more frequent reporting (4%), more engagement with employers (3%)

[11] The most widely mentioned 'pension board actions' were increased monitoring/scrutiny by board (8%), improved strategy/action plan/processes/policies (6%), more training/increased knowledge (3%), more collaboration/engagement (3%)

[12] The most widely mentioned 'scheme manager actions' were improved processes/systems/strategy (8%), more collaboration/engagement with stakeholders (5%), increased resources (4%)

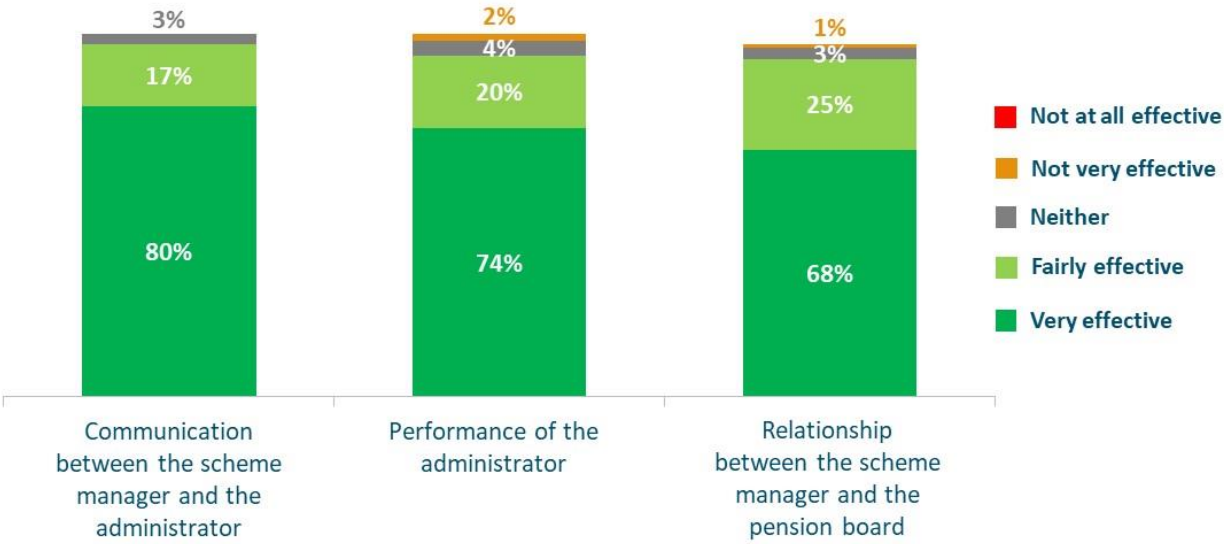
[13] The most widely mentioned 'other actions' were improved scheme structure/systems (4%)

4.9 The COVID-19 pandemic

Respondents were asked to rate the effectiveness of various aspects relating to the operation of the scheme since the first COVID-19 lockdown started in March 2020.

As set out in Figure 4.9.1, 97% rated the communication between the scheme manager and the administrator since the start of the pandemic as very or fairly effective. Similar proportions judged the performance of the administrator (94%) and the relationship between the scheme manager and the pension board (93%) to have been effective. In each case the majority described this as 'very' effective (68%-80%).

Figure 4.9.1 Performance during the COVID-19 pandemic



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 0-2%, 0-2%)

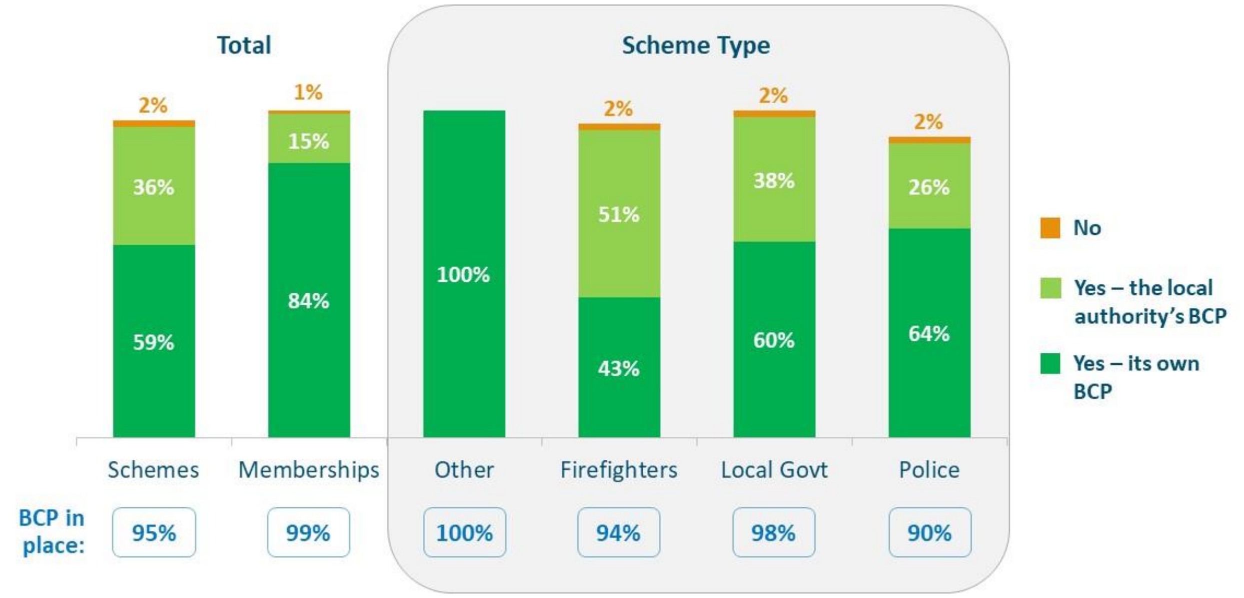
At least 90% of Firefighters', Local Government, and Police schemes rated each of these aspects as effective. However, a lower proportion of 'Other' schemes indicated that the performance of the administrator (64%) and communication between the communication between the scheme manager and administrator (82%) had been effective.

Table 4.9.1 Proportion rating each aspect as very/fairly effective during the COVID-19 pandemic – by scheme type

	Scheme Type			
	Other	Firefighters	Local Govt	Police
Base: All respondents	*11*	*47*	*93*	*42*
Communication between the scheme manager and the administrator	97%	82%	98%	98%
Performance of the administrator	94%	64%	96%	97%
Relationship between the scheme manager and the pension board	93%	100%	91%	95%

The vast majority (95%) of schemes had a business continuity plan (BCP) in place prior to the COVID-19 pandemic; 59% had their own scheme-specific BCP and 36% were covered by their local authority's BCP. Every 'Other' scheme had its own BCP in place prior to COVID-19, whereas Firefighters' schemes were more likely to rely on that of their local authority (51%).

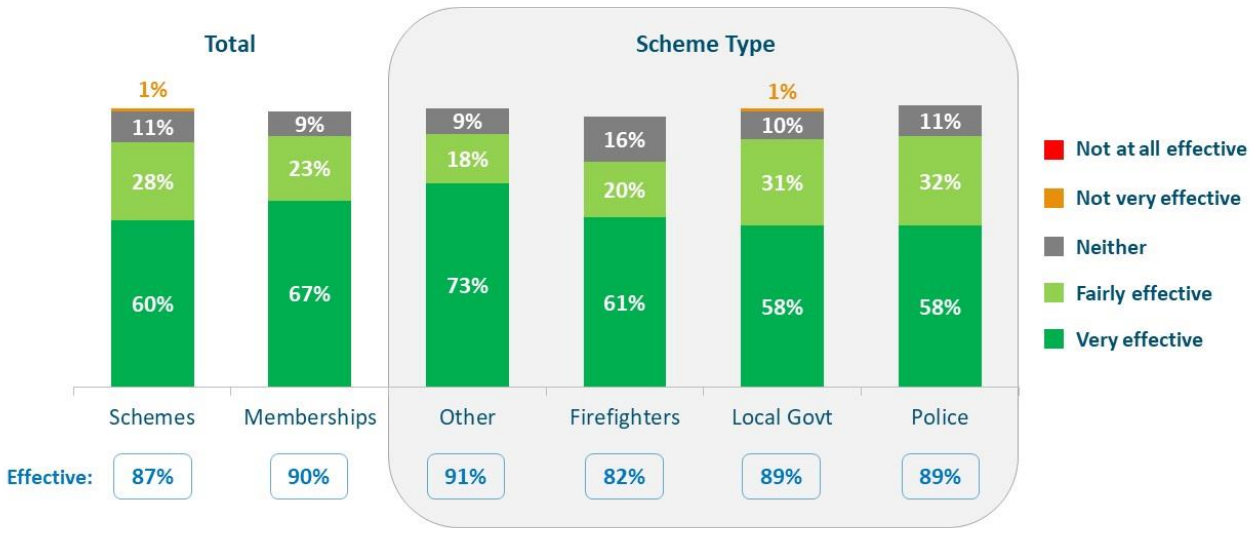
Figure 4.9.2 Proportion of schemes that had a business continuity plan before the first COVID-19 lockdown



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 3%, 0%), Memberships (193, 0%, 0%), Other (11, 0%, 0%), Firefighters (47, 4%, 0%), Local Govt (93, 0%, 0%), Police (42, 7%, 0%)

As set put in Figure 4.9.3, 87% of those with a BCP in place felt this had been effective in helping the scheme respond to the COVID-19 pandemic (with 60% describing it as 'very' effective).

Figure 4.9.3 Effectiveness of business continuity plans in response to COVID-19 pandemic



All with a BCP in place before COVID-19 (Base, Don't know, Did not answer) - Schemes (184, 1%, 0%), Memberships (184, 0%, 0%), Other (11, 0%, 0%), Firefighters (44, 2%, 0%), Local Govt (91, 0%, 0%), Police (38, 0%, 0%)

Firefighters' schemes were slightly less likely to view their BCP as effective (82% vs. 89-91% for other scheme types). There was little difference in effectiveness ratings by scheme type.

When asked what barriers they had faced in implementing the BCP, schemes were most likely to identify IT issues; 31% mentioned the suitability of their IT hardware, 22% the suitability of their IT infrastructure and 12% the suitability of their IT software. In addition, 29% identified the ability of staff to work from home as a barrier. However, around a third of schemes (35%) did not report any barriers to implementing the BCP.

This pattern was broadly consistent across the different scheme types, although Firefighters' schemes were more likely to indicate there had been no barriers (48%). 'Other' schemes were also comparatively more likely to identify issues with administration processes as a barrier (27%), which is consistent with the lower ratings for the administrator performance and communication between the scheme manager and administrator during the pandemic (as seen in Table 4.9.1).

Table 4.9.2 Barriers to implementing business continuity plans

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All with a BCP in place before Covid-19	*184*	*11*	*44*	*91*	*38*
Suitability of IT hardware (i.e. equipment)	31%	45%	20%	35%	32%
Ability of staff to work from home	29%	45%	18%	31%	32%
Suitability of IT infrastructure	22%	9%	20%	25%	18%
Issues with administration processes	15%	27%	11%	16%	13%
Key person risks	13%	18%	16%	9%	16%
Suitability of IT software	12%	18%	5%	13%	16%
Staff shortages	7%	9%	5%	7%	11%
Issues with employers	3%	9%	0%	4%	0%
Lack of leadership	0%	0%	0%	0%	0%
Other barriers	4%	0%	5%	5%	3%
There were no barriers	35%	27%	48%	30%	34%
Don't know	2%	0%	2%	0%	5%
Did not answer question	1%	0%	2%	0%	0%

4.10 Pensions dashboards

Survey respondents provided with the following description of the pension dashboards project:

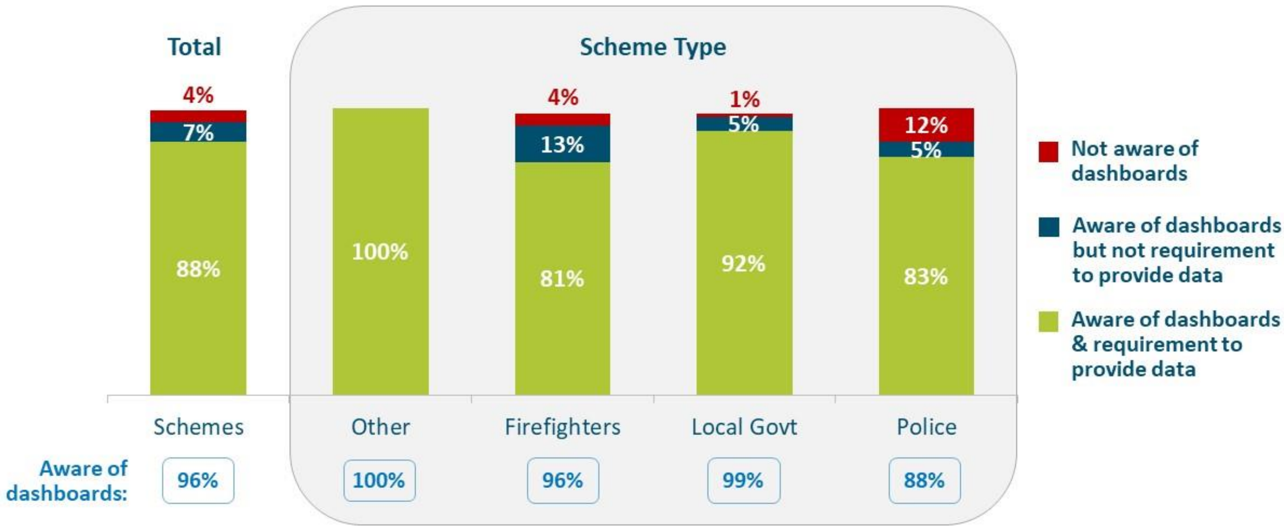
The government has made a commitment to facilitate the pensions industry in the creation of a digital interface that will present all of a person's pensions together in one place. It is most often referred to in the industry as the 'pensions dashboards' project.

They were then asked if, prior to the survey, they had heard of the pensions dashboards. If so, they were then informed that the Pensions Schemes Bill contains provisions to require trustees and scheme managers to provide data to savers through pensions dashboards, and asked whether they were aware of this proposed change to pensions law.

The vast majority of schemes had heard of the pensions dashboards (96%), and most also knew that trustees and scheme managers would be required to provide data to savers through the dashboards (88%).

Every 'Other' scheme was aware of the dashboards and the requirement to share data. Awareness was lowest among Police schemes, 12% of which had not heard of the pensions dashboards.

Figure 4.10.1 Awareness of the pensions dashboards and the requirement to provide data to savers



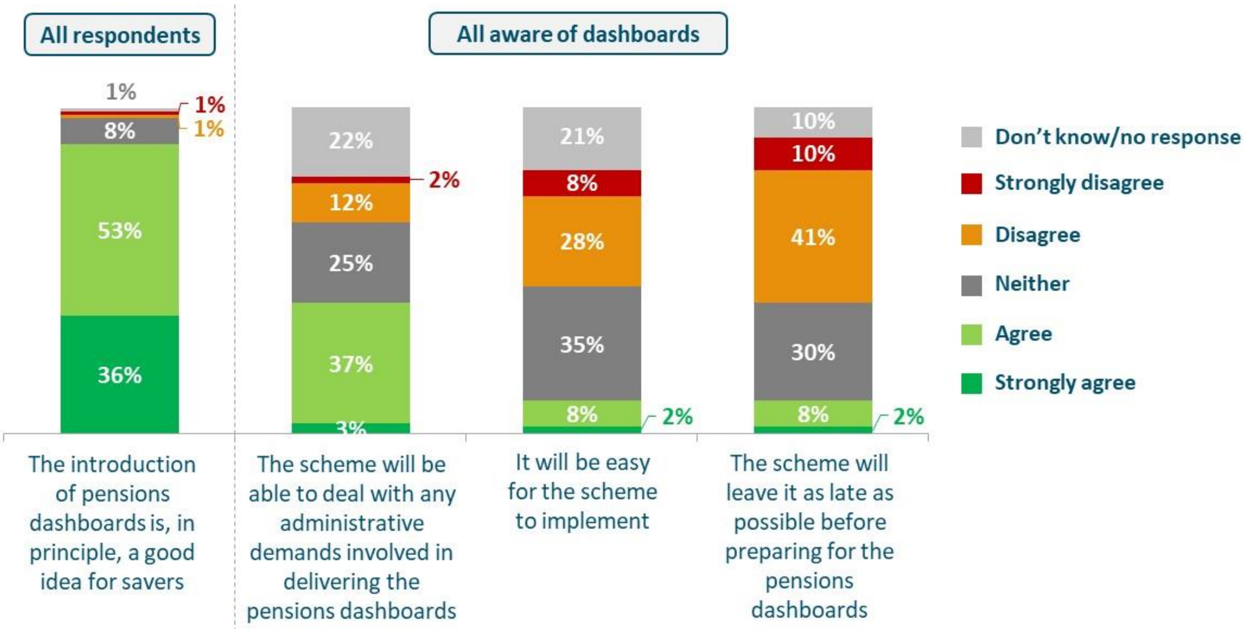
All respondents (Base, Don't know, Did not answer question) - Schemes (193, 1%, 0%), Other (11, 0%, 0%), Firefighters (47, 2%, 0%), Local Govt (93, 1%, 0%), Police (42, 0%, 0%)

As shown in Figure 4.10.2, 89% of schemes agreed that the pensions dashboards were a good idea (with 36% strongly agreeing).

However, there was less consensus in schemes' views on their ability to implement the requirements. Two-fifths (40%) agreed that they would be able to deal with any administrative demands involved, although comparatively few (13%) disagreed with this (with the remaining 47% either unsure or neither agreeing nor disagreeing with this). Around a third (35%) disagreed that the dashboards would be easy for their scheme to implement, compared with 9% who agreed.

Half of schemes (51%) disagreed that they would leave it as late as possible before preparing for the dashboards, whereas 10% agreed with this statement.

Figure 4.10.2 Perceptions of the pensions dashboards



All respondents (193), All aware of dashboards (185)

Table 4.10.1 provides a summary by scheme type, showing the proportions agreeing and disagreeing with each statement.

Table 4.10.1 Perceptions of the pensions dashboards – by scheme type

		Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All respondents/All aware of dashboards		*11/11*	*47/45*	*93/92*	*42/37*
Introduction of dashboards is good idea for savers	Agree	100%	94%	85%	90%
	Disagree	0%	0%	2%	2%
Scheme will be able to deal with administrative demands	Agree	45%	42%	43%	27%
	Disagree	18%	4%	17%	14%
Will be easy for scheme to implement	Agree	9%	16%	8%	5%
	Disagree	45%	36%	32%	41%
Scheme will leave it as late as possible before preparing	Agree	0%	2%	11%	19%
	Disagree	82%	47%	55%	35%

Every 'Other' scheme agreed that the dashboards were a good idea, but Local Government schemes were least likely to agree with this (85%).

Police schemes were least likely to agree that they would be able to deal with the administrative demands (27%, vs. 42-45% for other scheme types). Firefighters' schemes were most likely to agree that the dashboards would be easy to implement (16% vs. 5-9% of other scheme types).

Very few 'Other' and Firefighters' schemes (0% and 2% respectively) expected to leave dashboards preparations as late as possible, but this increased to 19% of Police and 11% of Local Government schemes.

Those respondents aware of the dashboards were asked what, if any, challenges the scheme was likely to face in terms of preparing for them (Table 4.10.2). Three-quarters (75%) identified software compatibility as a potential issue, and over half mentioned knowing what is required (58%). The next most widely anticipated challenges were capacity constraints (36%), cost (31%), availability of data (20%) and accuracy of data (19%).

This pattern was broadly consistent by scheme type, but Local Government and Police schemes were comparatively more likely to identify knowing what is required as a challenge (64% and 68% respectively). Police schemes were also more likely to mention cost (46%), and 'Other' schemes more likely to mention accuracy of data (36%).

Table 4.10.2 Anticipated challenges in preparing for the pensions dashboards

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All aware of dashboards	*185*	*11*	*45*	*92*	*37*
Software compatibility	75%	64%	71%	76%	81%
Knowing what is required	58%	27%	44%	64%	68%
Capacity constraints	36%	45%	38%	35%	35%
Cost	31%	27%	29%	27%	46%
Availability of data	20%	18%	27%	17%	19%
Accuracy of data	19%	36%	16%	20%	16%
Participating employer reticence	9%	18%	0%	14%	5%
Other	4%	18%	0%	4%	3
None – do not expect to face challenges	1%	0%	2%	1%	0%
Don't know	3%	0%	9%	1%	3%
Did not answer question	0%	0%	0%	0%	0%

As set out in Table 4.10.3, the main sources through which schemes expected to learn about the requirements for the pensions dashboards were their scheme advisory board (69%), the Pensions Dashboards Programme (63%) and TPR (61%). These were the primary sources identified by all scheme types, with the exception of ‘Other’ schemes who were more likely to mention industry bodies (45%) than their scheme advisory board (27%).

Table 4.10.3 Expected sources of information about pensions dashboards requirements

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
Base: All respondents	*193*	*11*	*47*	*93*	*42*
Scheme advisory board	69%	27%	79%	75%	55%
Pensions Dashboards Programme (PDP)	63%	73%	60%	60%	71%
TPR	61%	55%	68%	53%	71%
Industry bodies (e.g. PASA, PLSA)	41%	45%	26%	53%	33%
Department for Work & Pensions (DWP)	26%	55%	19%	19%	40%
Financial Conduct Authority (FCA)	9%	18%	6%	9%	12%
Somewhere else	15%	36%	15%	16%	7%
Don’t know	3%	0%	4%	3%	2%
Did not answer question	0%	0%	0%	0%	0%

4.11 Climate change

For this survey Local Government schemes were asked various questions about the actions they had taken in regard to climate change.

Table 4.11.1 shows that nine in ten Local Government schemes (91%) had allocated time or resources to assessing any financial risks or opportunities associated with climate change.

However, fewer had taken each of the three specific actions tested; 66% had assessed the risks and opportunities for their scheme from particular climate-related scenarios, 60% had tracked the carbon intensity of their portfolio, and 29% had assessed their portfolio's contribution to global warming.

Table 4.11.1 Actions taken on climate change

	Local Government schemes
Base: All Local Government schemes	*93*
Allocated time or resources to assessing any financial risks and opportunities associated with climate change	**91%**
– Assessed the risks and opportunities for your scheme from particular climate-related scenarios	66%
– Tracked the carbon intensity of your scheme's portfolio	60%
– Assessed you scheme portfolio's potential contribution to global warming	29%
– None of these (or don't know)	12%
Not allocated any time/resources to assessing any financial risks and opportunities associated with climate change	**4%**
Don't know	**4%**
Did not answer question	**0%**

Local Government schemes were then asked whether they used various processes to manage climate-related risks and opportunities. Please note that the 9% of schemes that had not allocated time or resources to assessing the financial risks/opportunities associated with climate change (or were unsure if they had done this) were not asked this question but have been included in the analysis base and shown separately in Table 4.11.2 overleaf.

Two-thirds (68%) of schemes had added climate-related risks to their risk register[14]. Lower proportions included climate-related issues as a regular agenda item at pension board meetings (42%), at trustee meetings, assigned responsibility for climate-related issues to a specified individual or sub-committee (37%) and included, monitored and reviewed targets in their climate policy (37%).

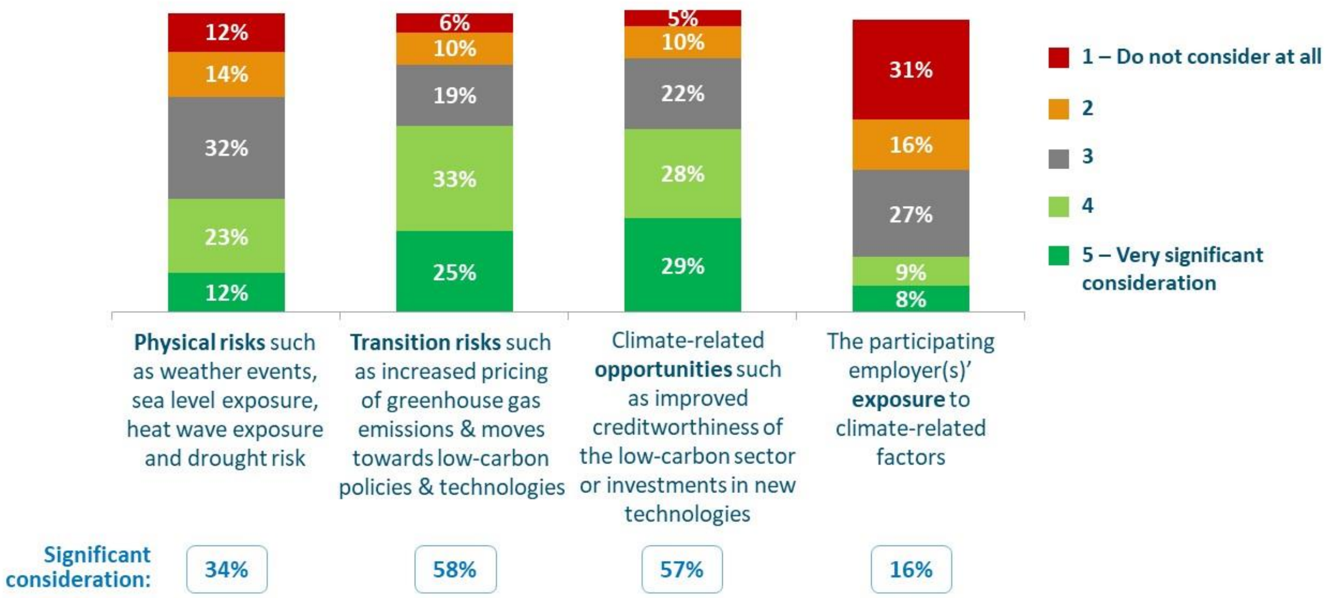
[14] One scheme answered yes to this question even though they had earlier indicated that the scheme did not have a risk register. If this scheme is excluded, the proportion adopting this process falls to 66%.

Table 4.11.2 Processes used to manage climate-related risks and opportunities

	Local Government schemes
Base: All Local Government schemes	*93*
Add climate-related risks to your risk register	68%
Include climate-related issues as a regular agenda item at pension board meetings	42%
Assign responsibility for climate-related issues to a specified individual or sub-committee	37%
Include, monitor and review targets in the scheme's climate policy	37%
None of these (or don't know)	11%
Not allocated any time/resources to climate change (or don't know if done this)	9%
Did not answer question	0%

Figure 4.11.1 shows the extent to which Local Government schemes considered climate change in their investment and funding strategies. Over half gave significant consideration (4-5) to transition risks (58%) and climate-related opportunities (57%), but fewer schemes considered physical risks (34%) or employer exposure to climate-related factors (16%).

Figure 4.11.1 Consideration of climate change in investment and funding strategy



All Local Government schemes (Base, Don't know, Did not answer question) - Schemes (93, 6-9%, 0-1%)

Schemes were asked whether they had taken various actions on stewardship to help with their management of climate risks, with results shown in Table 4.11.3. Again, those schemes that had not allocated time or resources to assessing the financial risks/opportunities associated with climate change were not asked this question but have been included in the analysis base.

Most of these stewardship actions had been widely adopted by Local Government schemes; 87% had talked to advisers and asset managers about how climate-related factors are built into their engagement and voting policies, 82% indicated that they would also do this when appointing new asset managers, 76% had joined collaborative engagement efforts on climate change, and 56% set out their expectations on climate stewardship and approaches in legal documents when outsourcing activities.

However, approximately two-fifths (42%) of Local Government schemes had signed the UK Stewardship Code.

Table 4.11.3 Stewardship actions taken to help manage climate risks

	Local Government schemes
Base: All Local Government schemes	*93*
Talked to advisers and asset managers about how climate-related risks and opportunities are built into their engagement and voting policies	87%
When appointing new asset managers, asked the prospective manager how they include climate factors in engagement and voting behaviour	82%
Joined collaborative engagement efforts on climate change	76%
When outsourcing activities, set out in legal documents your expectations on climate stewardship and approaches	56%
Signed the UK Stewardship Code	42%
None of these (or don't know)	3%
Not allocated any time/resources to climate change	9%
Did not answer question	0%

Table 4.11.4 shows that the majority (83%) of Local Government schemes were aware of the work of the Taskforce on Climate-related Financial Disclosures (TCFD). However, approximately a fifth of schemes (22%) made disclosures as recommended by the TCFD.

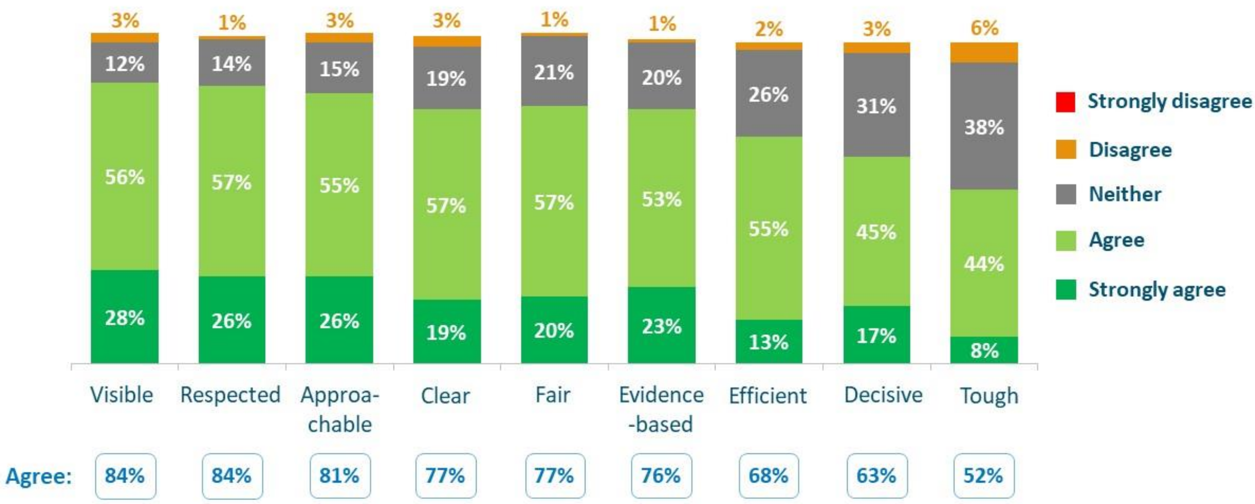
Table 4.11.4 Awareness of TCFD and uptake of recommended disclosures

	Local Government schemes
Base: All Local Government schemes	*93*
Aware of TCFD	**83%**
– Scheme makes disclosures as recommended by the TCFD	22%
– Scheme does not make disclosures as recommended by the TCFD	57%
– Don’t know	4%
Not aware of TCFD	**17%**

4.12 Perceptions of TPR

When asked for their perceptions of TPR, schemes were most likely to agree that it was visible (84%), respected (84%) and approachable (81%). They were least likely to agree that it was tough (52%). Few schemes actively disagreed with each of the descriptors of TPR.

Figure 4.12.1 Perceptions of TPR



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 1-5%, 0-1%)

There was little difference in these results between Firefighters', Local Government and Police schemes, but 'Other' schemes had the most positive perception of TPR. All of these schemes (100%) agreed that TPR was respected, approachable, clear, fair, evidence-based, efficient and decisive and 91% agreed that it was visible. However, 'Other' schemes were less likely than other scheme types to see TPR as tough (36%).

There were increases since 2019 in the proportion seeing TPR as fair (+11 percentage points), clear (+7 percentage points), approachable (+5 percentage points) and evidence-based (+5 percentage points).

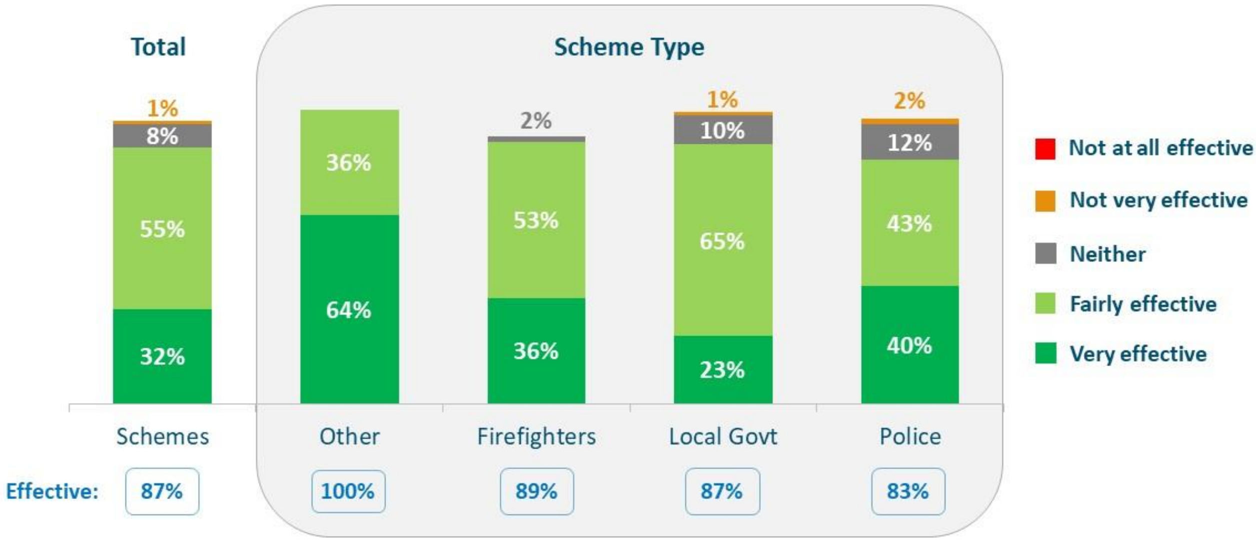
Table 4.12.1 Proportion of schemes agreeing with descriptors of TPR – Time series

	Visible	Respected	Approachable	Clear	Fair
PSPS Survey 2020-21	**84%**	**84%**	**81%**	**77%**	**77%**
PSPS Survey 2019	84%	84%	76%	70%	66%
PSPS Survey 2018	89%	78%	73%	70%	66%

	Evidence-based	Efficient	Decisive	Tough
PSPS Survey 2020-21	**76%**	**68%**	**63%**	**52%**
PSPS Survey 2019	71%	64%	61%	56%
PSPS Survey 2018	67%	60%	53%	55%

Schemes were also asked how effective they believed TPR to be at improving standards of governance and administration in public service pension schemes. Overall, 87% judged TPR to be effective, with 32% describing it as very effective. Every 'Other' scheme rated TPR as either very or fairly effective in this regard.

Figure 4.12.2 Perceptions of TPR's effectiveness at improving standards of governance and administration in public service pension schemes



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 4%, 0%), Other (11, 0%, 0%), Firefighters (47, 9%, 0%), Local Govt (93, 2%, 0%), Police (42, 2%, 0%)

While the overall proportion rating TPR as effective was unchanged since 2019, there was an increase among Local Government schemes (+5 percentage points) and a decrease among Police schemes (-10 percentage points).

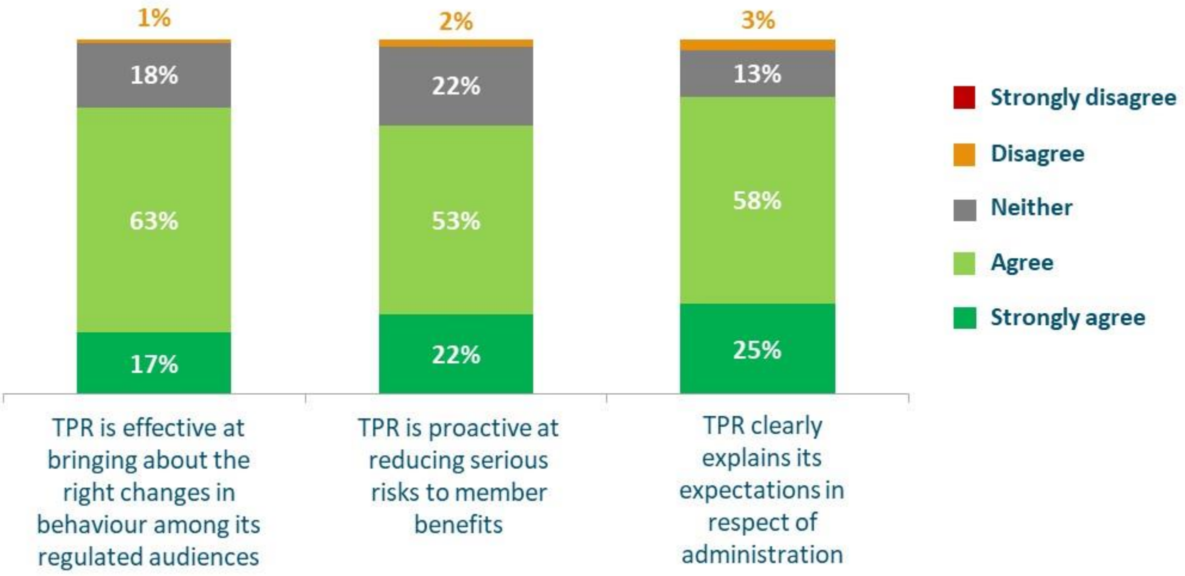
Table 4.12.2 Proportion of schemes rating TPR as very or fairly effective effectiveness at improving standards of governance and administration in public service pension schemes – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2020-21	**87%**	**100%**	**89%**	**87%**	**83%**
PSPS Survey 2019	87%	100%	88%	82%	93%
PSPS Survey 2018	88%	100%	83%	89%	89%

Schemes were also asked the extent to which they agreed with three statements about TPR. As summarised in Figure 4.12.3, 84% agreed that TPR clearly explains its expectations in respect of administration, 79% agreed that it is effective at bringing about the right changes in behaviour among its regulated audiences, and 75% agreed that it is proactive at reducing serious risks to member benefits.

Most of the remainder neither agreed nor disagreed, with few schemes actively disagreeing with these statements (1-3%).

Figure 4.12.3 Other perceptions of TPR



All respondents (Base, Don't know, Did not answer question) - Schemes (193, 0-3%, 0-1%)

Table 4.12.3 shows the proportion of each scheme type agreeing with these statements, along with comparisons to the 2019 survey results (where available).

Table 4.12.3 Proportion agreeing with other statements about TPR – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
TPR is effective at bringing about the right changes in behaviour among its regulated audiences					
PSPS Survey 2020-21	**79%**	**100%**	**70%**	**78%**	**86%**
PSPS Survey 2019	77%	91%	71%	72%	89%
TPR is proactive at reducing serious risks to member benefits					
PSPS Survey 2020-21	**75%**	**82%**	**68%**	**72%**	**86%**
PSPS Survey 2019	74%	91%	65%	68%	91%
TPR clearly explains its expectations in respect of administration					
PSPS Survey 2020-21	**84%**	**100%**	**85%**	**80%**	**88%**
PSPS Survey 2019	-	-	-	-	-

Every 'Other' scheme agreed that TPR was effective at bringing about the right changes in behaviour and clearly explained its administration expectations.

The overall results were similar to those seen in 2019, and the only changes at a scheme type level were an increase in the proportion of 'Other' and Local

Government schemes that felt TPR was effective at bringing about the right changes in behaviour (+9 and +6 percentage points respectively) and a decrease in the proportion of 'Other' schemes that believed TPR was proactive at reducing serious risks to member benefits (-9 percentage points).

LGPC Bulletin 209 – April 2021

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

Foreword

This bulletin contains important updates for administering authorities, scheme employers and software suppliers. It also provides a general update for all LGPS stakeholders.

This bulletin contains important articles on:

- New versions of employee and councillor brief guides (Scotland)
- Direction on GMP indexation updated
- Reminder to review communication policy statement

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

Index

LGPS England & Wales Scheme Advisory Board (SAB)

Online A-Z guide to RI launched

On 28 April 2021, Cllr Phillips, Chair of the SAB, announced the launch of the online A-Z guide to Responsible Investment (RI) at the Local Authority RI Seminar.

The guide provides a glossary of RI terms, organisations, standards and legislation indexed by its classification (what it is), category (where it fits in Environmental, Social and Governance (ESG)) and status (in the context of the LGPS legislative framework) with related LGPS specific case studies.

The SAB has prepared the guide with the assistance of the newly established Responsible Investment Advisory Group (RIAG). It does not claim to be a complete guide, especially in such a fast-moving area, and will continue to be monitored and updated on a regular basis. Users can make use of the 'What's Missing' facility to advise RIAG about either omissions or errors in the guide's contents.

The SAB would be grateful for examples of case studies to add to the guide and the 'using this site' tab gives details on how to send them in.

The guide has been tested across several different browsers and platforms. If you have any questions or comments relating to the guide or its operation, please send them to Robert.holloway@local.gov.uk.

You can access the guide from the SAB's home page.

LGPS England & Wales

Correction slip to exit payments revocation regulations

On 6 April 2021, the Government issued a correction slip to the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021.

The correction slip amends an incorrect cross-reference in regulation 4(3) and relabels the reference from 'order' to 'S.I.' in the footnote.

You can access links to the regulations and the correction slip on the related legislation page of www.lgpsregs.org.

MHCLG letter about new requirement for exit payment data

MHCLG wrote to chief financial officers of councils and combined authorities in England on 9 April 2021, letting them know about a new requirement to provide data on exit payments.

Councils will be asked to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit for 2014/15 to 2020/21 by the end of May 2021. We expect that a similar request will be made for subsequent years.

The data will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector.

The letter included a draft specification and invited comments by 26 April 2021 on the clarity of the data requirements and the practicality of providing this.

We have been working with the Scheme Advisory Board's secretariat to respond to concerns about confidentiality, clarity and timing of the final request (expected sometime in May 2021).

LGPS Scotland

New versions of employee and councillor brief guides

On 28 April 2021, Steven Moseley emailed administering authorities letting them know we have published version 2.1 of the employee brief guide and version 2.0 of the councillor brief guide.

We have published Word versions of the guides so that administering authorities can add contact information and any other details specific to their authority.

If you plan to publish a PDF version of the guide, you may need to take additional steps to ensure that it complies with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 (which we covered in Bulletin 190). You can find more information online about:

- How to Create accessible PDFs
- Creating accessible PDFs in Adobe Acrobat.

You may need to take extra steps to tag tables correctly.

You can access the new versions (including documents showing the changes) from the Administrator guides and documents page of www.scotlgpsregs.org.

Action for administering authorities
Please update your version of the guides in line with the changes.

HMRC

The Pension (Non-Taxable Payments Following Death) (Real Time Information) Regulations 2021

HMRC has recently made the Pension (Non-Taxable Payments Following Death) (Real Time Information) Regulations 2021, which commence on 6 April 2022.

The regulations will require pension schemes to report certain non-taxable payments made to beneficiaries following a member's death. Schemes will report this information to HMRC using the Real Time Information system. This will not apply to non-taxable defined benefits lump sum death benefits and non-taxable uncrystallised funds lump sum death benefits.

HMRC has prepared a tax information note giving more information about the changes. HMRC will also update the following guidance closer to 6 April 2022:

- Pension death benefit guidance part of the Pension Tax Manual
- CWG 2 – further guide to PAYE and national insurance contributions.

TPO

TPO publishes three member factsheets

In March 2021, the Pensions Ombudsman (TPO) published three factsheets aimed at members, covering the Early Resolution Service, how TPO investigates complaints and complaining to the party at fault.

The factsheet on the Early Resolution service explains what the service is, how it operates and what the member's options are.

The factsheet on how TPO investigates complaints explains the investigation process, what is meant by a determination, how TPO will communicate during the investigation, how TPO will share information and how the member can help the process.

The factsheet on complaining to the party at fault explains the need for members to have first tried to resolve the matter with the party at fault before TPO can investigate. This includes explaining how the member can complain to the party at fault, time limits, and what happens after then.

TPR

TPR publishes climate change strategy

On 7 April 2021, TPR published its climate change strategy.

The strategy sets out TPR's strategic response to climate change and how it thinks it can help pension schemes meet the challenges from climate change.

Pension scams webinar

On 31 March 2021, TPR hosted a webinar on the pledge to combat pension scams.

The webinar included speakers from TPR, the Pensions Scams Industry Group, the Money and Pension Service and the City of London Police. It also included recordings of calls from victims of scams.

TPR has published a recording of the webinar on their website.

TPR addresses concerns about new criminal offences powers

On 19 April 2021, David Fairs from TPR published a blog addressing concerns raised about TPR's new criminal offences powers.

The Pension Schemes Act 2021 includes two new criminal offences, which are expected to come into force in autumn 2021. The offences cover avoiding employer pension debts and risking savers' pensions. TPR has recently consulted on their policy setting out their approach to the investigation and prosecution of these new powers (see Bulletin 208).

Many industry commentators have raised concerns about the reach of the new powers. Some have speculated that the new powers could lead to competent trustees resigning in fear of inadvertently committing an offence.

David Fairs confirms in the blog that TPR will not overstretch the intent and purpose behind the new powers.

HMT

Direction on GMP indexation updated

We let you know in Bulletin 208 that the Government had decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for indexing guaranteed minimum pensions (GMPs) in public service pension schemes.

HMT has updated their direction under section 59A of the Social Security Pensions Act 1975, implementing the decision. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales.

We will update the technical guide 'The application of increases to LGPS pensions in payment' to reflect the final position in due course.

You can access the updated direction on the related legislation pages of www.lgpsregs.org and www.scotlgpsregs.org. You can also access the technical guide on the administrator guides and documents pages of those websites.

Action for administering authorities
Ensure you correctly index GMPs for members who reach their State Pension age after 5 April 2021 (including GMPs for survivors).

Other news and updates

LGPC responds to NMPA consultation

On 19 April 2021, the Local Government Pension Committee (LGPC) responded to the consultation on increasing the normal minimum pension age (NMPA).

HM Treasury consulted on increasing the NMPA, which we covered in Bulletin 206. The consultation reconfirmed an earlier decision to increase the NMPA from 55 to 57 from 6 April 2028. The consultation also sought views on proposals to implement the increase.

You can read the LGPC response on –

- the non-scheme consultations page of www.lgpsregs.org
- the non-scheme consultations page of www.scotlgpsregs.org.

Job opportunities

We are recruiting for two new roles: part-time research and data analyst for the Scheme Advisory Board and part-time web developer to work as part of the LGPC pensions team.

The closing date to apply for either role is 5pm on 3 May 2021.

For full details and to apply, please see the research and data analyst page or the web developer page on Jobtrain's website.

Ill health certificates survey

Steven Moseley emailed administering authorities in England, Wales and Scotland on 31 March 2021, inviting them to complete a short survey letting us know how they use the LGA ill health template certificates. The survey closed on 23 April 2021, and we wish to thank all those who completed it.

We are planning to review the certificates this year, and the feedback from the survey will assist this.

You can access the current version of the certificates at:

- Administrator guides and documents page of www.lgpsregs.org
- Administrator guides and documents page of www.scotlgpsregs.org.

PSIG publishes new version of Code of Good Practice

The Pensions Scams Industry Group (PSIG) has published version 2.2 of its 'Code of Good Practice on Combating Pension Scams'.

The new version is effective from 1 April 2021 and is updated to improve usability and to reflect recent regulatory changes as well as the evolving nature of pension scams. The code includes a section outlining the key changes.

Action Fraud launches awareness campaign about pension scams

On 20 April 2021, Action Fraud launched a national awareness campaign to remind the public about the importance of doing their research before making changes to their pension, including a warning to remain vigilant against pension scams.

The press release announcing the launch contains some simple steps for members to protect themselves against scams and advice on what to do if they suspect a scam.

PDP issues ITT for dashboard digital architecture

On 13 April 2021, the Pensions Dashboards Programme (PDP) issued an invitation to tender (ITT) for a supplier to provide the digital architecture for pension dashboards.

The chosen supplier will provide the main parts of the digital architecture. This will include the pension finder service, the consent and authorisation service and the governance register.

To find out more, please see the press release announcing the ITT.

Reminder to review communication policy statement

We would like to remind administering authorities to review and, if necessary, revise their communication policy statement.

Under regulation 61 of the LGPS Regulations 2013, an administering authority in England and Wales must set out in a written statement its policy concerning communications with various people (such as members and employers). In particular, the statement should set out the authority's policy on providing information and publicity about the Scheme (including the format, frequency and distribution method). Where the authority's policy materially changes, it must revise its statement.

Regulation 59 of the LGPS (Scotland) Regulations 2018 sets out equivalent provision for administering authorities in Scotland.

Due to the COVID-19 pandemic, we understand that some administering authorities have announced changes to their communication practices. It is therefore a good time for administering authorities to review their communication policy statements.

Action for administering authorities

Review and, if necessary, revise your communication policy statement.

Prudential announce update to their brand

Prudential has announced that they will be updating their brand with a fresh new look and feel (including a new logo). This will include updating their websites, social media, brochures, letters and emails.

Prudential will roll out the updates to their communications gradually from mid-May 2021. So, you may receive information from them in the old and new brand over the next 12 months.

Prudential has said that the brand update will have no impact on either their contact details or login details to their online services.

Prudential has set up a webpage about their brand update giving more information.

Version 1.2 of non-Club transfer out guide

On 27 April 2021, Jayne Wiberg emailed administering authorities to let them know we have published version 1.2 of the LGPS Non-Club Transfers Out Technical guide. We have:

- amended section 2 (CETV Key steps) step 4, to include reference to regulations 8(2)(ca) and 8(4) of the Pension Schemes Act 2015 (Transitional Provisions and Appropriate Independent Advice) Regulations 2015 concerning pension credit members
- updated section 4 (CETV Questions and Answers) paragraph titled 'What happens if the member disputes the value of a CETV?' with regard to pension credit members
- updated section 8 (Dictionary) to define further the meaning of 'independent' within independent financial advice.

You can access both clean and tracked changes of version 1.2 of the guide on the Administrator guides and documents pages of www.lgpsregs.org and www.scotlgpsregs.org, under Transfers Out.

Wider landscape

Supreme Court refuses to hear claim against SPA changes

The Supreme Court has recently confirmed that it will not hear the claim against the State Pension age (SPA) changes. The claim was supported by the campaign group, Backto60.

In the claim, Backto60 argued that the increase in the SPA affecting women born in the 1950s was discriminatory and that government did not give the women enough notice. Both the High Court and Court of Appeal had previously dismissed the claim.

Guidance published on teachers' pension employer contribution grant

On 28 April 2021, the Education and Skills Funding Agency published guidance on the Teachers' pension employer contribution grant. The guidance sets out the allocations and conditions of the grant for 2021/22 financial year.

Legislation

Statutory Instruments

Correction Slip 1 to the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021

The Pension (Non-Taxable Payments Following Death) (Real Time Information) Regulations 2021

Useful links

LGA Pensions page

LGPS member website (England and Wales)

LGPS member website (Scotland 2015)

LGPS Advisory Board website (England and Wales)

LGPS Advisory Board website (Scotland)

LGPS Regulations and Guidance website (England and Wales)

LGPS Regulations and Guidance website (Scotland)

Public Sector Transfer Club

Recognised Overseas Pension Schemes that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

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Further information

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Local Government Association

LGPC Bulletin 210 – May 2021

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

Foreword

This bulletin contains important updates for administering authorities, scheme employers and software suppliers. It also provides a general update for all LGPS stakeholders.

This bulletin contains important articles on:

- Written Ministerial Statement on McCloud
- DWP consultation on pension scams
- Providing information about the distribution of a death grant
- Review of your Tell Us Once users
- Pension Dashboards Programme call for input on staging

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

Index

LGPS England & Wales Scheme Advisory Board (SAB)

2020 LGPS Scheme Annual Report

On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report include:

- Total membership up by 4.2% to 6.1 million members compared with 2019.
- Total assets decreased by 4.9% to £276 billion. These assets were invested in:
    - 68% pooled investment vehicles
    - 14% public equities
    - 6% bonds
    - 3% direct property
    - 9% other asset classes.
- The Local Authority return on investment over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.
- The Scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners paid in the year.
- LGPS liabilities estimated at £291 billion on 31 March 2019. This indicates an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

SAB statement on local pension board meetings – a reminder

We let you know in Bulletin 208 that legislation allowing remote council meetings would not be extended beyond 6 May 2021. The SAB is satisfied that this does not affect local pension board meetings. Having taken legal advice, the SAB's view is that:

- arranging a virtual meeting of a local pension board would facilitate the discharge of a local pension board's duty to conduct business during the pandemic, and
- a local pension board therefore has the power to hold virtual meetings by virtue of regulation 106(8) of the LGPS Regulations 2013.

In July 2020, the SAB encouraged reviewing and amending a local pension board's terms of reference to allow virtual meetings in emergency situations.

You can read the SAB statement on virtual local pension board meetings issued in 2020 on the SAB website www.lgpsboard.org.

LGPS England & Wales

Written Ministerial Statement on McCloud

On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirms that:

- the age requirement for underpin protection will be removed
- a member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- the remedy period will end on 31 March 2022
- the underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022
- there will be two stages to the underpin calculation:
  - the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier
  - the second when the benefits are paid
- the regulations will be retrospective to 1 April 2014.

We expect MHCLG to issue a full response to the consultation and to publish draft regulations later this year.

GAD guidance published

On 13 May 2021, Rachel Abbey contacted all administering authorities to let them know about updated GAD guidance. MHCLG asked us to circulate updated versions of the following guidance:

- Annual allowance charges: Calculation of scheme pays offset
- Conversion of AVCs to transfer credits
- Purchase of additional pension (elections April 2012 to March 2014)
- Purchase of additional pension (elections before April 2012)
- Application of a pension credit (pre 2014 leaver)
- Purchase of additional survivor benefits
- Conversion of lump sum into pension – Regulation 58
- Early payment of pension
- Late retirement.

Each new set of guidance is dated 5 May 2021 and comes into force from 11 May 2021, in accordance with the covering letter issued by MHCLG.

GAD has issued new factors for use in the LGPS since the reduction of the SCAPE discount rate was announced in October 2018. The new guidance incorporates the factors that have been published since that date, it does not include any new factors. GAD has updated the supporting guidance to reflect changes in the Scheme and wider pension rules since previous versions of the guidance were published.

You can find the factors currently in operation in the Factor spreadsheet which GAD will continue to update when any new factors are published.

You can find current and past GAD guidance and a link to the factor spreadsheet on the Actuarial guidance page of www.lgpsregs.org.

Action for administering authorities
Review and update processes to ensure that they refer to the latest version of the relevant GAD guidance.

Request for exit payment data

We understand that MHCLG wrote to Chief Financial Officers on 27 May 2021 to request historical exit payment data. You can find out more about the new requirement to supply exit payment data in Bulletin 209. Deadlines for supplying the data are:

- 14 June 2021: data for 2019-20 and 2020-21
- 30 June 2021: data for 2014-15 to 2018-19.

LGPS Scotland

Scheme Advisory Board publishes April 2021 bulletin

The Scottish LGPS Advisory Board has recently published its April 2021 bulletin. The bulletin covers:

- an update on the working group's report on cessation issues
- the appointment of a strategic programme manager, who will lead the work producing business cases for the four options for fund structures – status quo, enhanced cooperation, pooling and merger
- the Cost Transparency Portal
- an update on the cost cap process.

Minutes from the February and April Scheme Advisory Board meetings

The Scottish LGPS Advisory Board has recently published the minutes of their meeting held on 17 February 2021. At the meeting, the Board discussed:

- structure review procurement process
- transparency update
- report from the working group on employer cessations.

At the meeting, the Board also discussed the cost cap valuation. As part of which, it was agreed that the Government Actuary's Department should give a presentation at a special meeting on 14 April 2021. The minutes of this meeting have also been published.

HMRC

Pension schemes newsletter 129

On 30 April 2021, HMRC published Pension schemes newsletter 129. The newsletter includes articles on:

- the requirement to submit a Pension Scheme Return only if you have received a notice to do so from HMRC
- how to enrol on to the Managing Pension Schemes service ahead of the migration of pension schemes to that service
- deletion of unused Government Gateway credentials
- the annual allowance calculator which has now been updated to include the 2021/22 tax year, and
- The Pension (Non-Taxable Payments Following Death) (Real Time Information) Regulations 2021 (see Bulletin 209).

HMT

Managing public money guidance does not apply to local government

HMT updated its Managing public money guidance on 21 May 2021. The guidance includes a requirement for certain payments, including special severance payments, to be signed off by HMT. This guidance applies to central government bodies only. It does not apply to local government. We expect MHCLG to issue corresponding guidance for local government in the coming months.

DWP

Consultation on pension scams

On 14 May 2021, the DWP launched a consultation on pension scams: empowering trustees and protecting members. The consultation proposes new requirements on trustees and scheme managers before a pension transfer can be completed.

- No additional checks will be needed if the transfer is to a low-risk scheme.
- If the transfer is to an occupational scheme (including a QROPS) the member must demonstrate an employment link before the transfer can be completed.
- If the transfer is to a QROPS and the member cannot demonstrate an employment link (where the QROPS is an occupational scheme), they must prove residency in the same financial jurisdiction as the potential receiving scheme.
- Before any other transfer can be completed, the trustee or scheme manager must decide if there are any ‘red flags’ that would prevent a transfer. Red flags include:
  - the member was given financial advice by a firm or individual without regulatory permissions
  - the member was contacted out of the blue
  - the member was offered incentives to transfer, and/or
  - the member was pressured to complete the transfer quickly.
- If there are no ‘red flags’, the trustee or scheme manager must also establish whether there are any ‘amber flags’. Amber flags include:
  - high risk or unregulated investments in the receiving scheme
  - high or unclear fees in the receiving scheme
  - complicated or unorthodox investment structures
  - overseas investments or advisers based overseas, and/or
  - a high volume of transfers to a single receiving scheme or involving a single adviser or firm.
- If the trustee or scheme manager identifies that ‘amber flags’ are present, the transfer can only proceed if the member takes scam advice from the Money and Pension Service.
- The member must provide the information needed for the trustees or scheme manager to assess the red and amber flags. If the member does not provide this information, the transfer cannot proceed.
- DWP has produced a set of standard questions for trustees and scheme managers to use to gather information from the member that they will need to decide whether there are any ‘red flags’ or ‘amber flags’.

The consultation applies in England, Wales and Scotland. The Government expects the Department for Communities to make corresponding legislation for Northern Ireland.

We will respond to the consultation before it closes on 10 June 2021. You can find the consultation document and links to the gov.uk webpage on the:

- Non-scheme consultations page of www.lgpsregs.org and the
- Non-scheme consultations page of www.scotlgpsregs.org.

Action for administering authorities
Read the consultation and submit a response before 10 June 2021 if you would like to comment on the proposals.

Consultation on simpler annual benefit statements

On 17 May 2021, DWP launched a consultation on simpler annual benefit statements: draft regulations and statutory guidance. Public sector pension schemes are not in scope of the proposed legislation. The experience in the defined contribution sector may be used to learn lessons that could be applied to other schemes in the future.

TPR

Call for input on improving the pensions journey

TPR and the Financial Conduct Authority have launched a call for input on improving the consumer pensions journey. They are seeking views from interested parties such as pension providers and employers on how consumers make decisions about their pension at key points throughout their working lives. The responses to the call for input will be used to find better ways to support individuals and help them to achieve better pensions outcomes.

The Pensions consumer journey: Call for input closes on 29 June 2021.

Single code of practice consultation

The LGPC has responded to the consultation on the single code of practice. The LGPC response covers the following sections of the new code:

- administration
- communications and disclosure
- reporting to TPR.

You can read our response and find links to the consultation documents on the:

- Non-scheme consultations page of www.lgpsregs.org and
- Non-scheme consultations page of www.scotlgpsregs.org.

TPR has confirmed that it will accept responses to the consultation until 6 June 2021. The SAB (England and Wales) will submit a response that covers the governance and funding, and investment sections of the new code before that date.

Corporate Plan 2021 to 2024

TPR has published its Corporate Plan for the next three years. The Plan sets out TPR's direction for 2021 to 2024. It is closely aligned with the five strategic priorities set out in TPR's Corporate Strategy.

Other news and updates

Club transfer arrangements and CARE added pension

The Cabinet Office has confirmed that added pension attached to CARE benefits cannot be transferred under Club arrangements. The Cabinet Office is responsible for the Club transfer rules.

We previously set out the position of the Cabinet Office in Bulletin 199. Please see that bulletin for further information about this issue. We understand that some members of the Club have not been operating in accordance with the Cabinet Office's guidance.

Any added pension, whether attached to final salary or CARE benefits must be transferred on non-Club terms when the main scheme benefits are transferred from one Club scheme to another.

Providing information about the distribution of a death grant

We have recently responded to a query concerning the information that an administering authority must provide when paying a death grant. In our view, those receiving a death grant should be told:

- the total death grant and how it is calculated
- what proportion of the death grant has been awarded to them.

Anyone who has made a claim against the death grant but has not been awarded any payment must be told of that decision.

The requirement to notify potential beneficiaries is covered by regulation 73 of the LGPS Regulations 2013 and regulation 68 of the LGPS (Scotland) Regulations 2018. An extract from the 2013 regulations is below. The corresponding regulatory references for the LGPS (Scotland) Regulations 2018 are shown in italics.

> **73.** -(1) Every person whose rights or liabilities are affected by a decision under **regulation 72 (first instance decisions)** *[regulation 67 LGPS (Scotland)]* must be notified of it in writing by the body which made it as soon as is reasonably practicable after the decision is made.
>
> (2) A notification of a decision that the person is not entitled to a benefit must contain the grounds for the decision.
>
> (3) A notification of a decision about the amount of a benefit must contain a statement showing how it is calculated.
>
> (4) Every notification must contain a conspicuous statement giving the address from which further information about the decision may be obtained.
>
> (5) Every notification must also-
>
> (a) specify the rights available under regulations **74 (applications for adjudication of disagreements)** *[regulation 69 LGPS (Scotland)]* and **76 (references of adjudications to administering authority)** *[regulation 71 LGPS (Scotland)]*;
>
> (b) specify the time limits within which the rights under those regulations may be exercised; and
>
> (c) specify the job title and the address of the person appointed under **regulation 74(1)** *[regulation 69 LGPS (Scotland)]* to whom an application may be made.

Action for administering authorities
Review and update your processes and standard correspondence to ensure that you provide the correct information to those receiving a share of a death grant, and those who have made a claim but do not receive a share of the death grant.

The Queen's Speech

The Government's legislative programme was laid out in the Queen's Speech delivered on 11 May 2021. The Government announced:

- a Public Service Pensions and Judicial Offices Bill that will introduce amendments to incorporate the McCloud judgment into public service pension schemes including the LGPS, and
- a Boycotts, Divestment and Sanctions Bill which aims to stop public bodies imposing their own views about international relations by preventing boycott, divestments or sanctions against foreign countries.

You can read more in the Queen's Speech – full report and the background briefing notes.

The Scheme Advisory Board plans to update its summary of the Supreme Court Boycotts case next month to reflect the contents of the Bill. You can find a link to the current version of the summary on the Legal opinions and summaries page of the Board website www.lgpsboard.org.

Review of your Tell Us Once users

Good housekeeping is vital. It is the responsibility of each administering authority to give access to the Tell Us Once system appropriately and to remove that access promptly when it is no longer required. This ensures that security and compliance is maintained.

We let you know in Bulletin 203 that an automatic deletion function had been introduced to the EAS system in November 2020. Accounts that have been inactive for three months are closed automatically. As a result, many administering authorities no longer have anyone to undertake the Organisational Administrator (OA) role. Administering authorities without an OA cannot create or maintain the accounts of users. They are not able to:

- provide access for new end users
- manage permissions of existing end users
- replace tokens
- close accounts using the EAS Admin Portal.

You can open a closed account easily. Contact your relationship manager by emailing emma.moralee2@dwp.gov.uk or tellusonce.relationshipmanager@dwp.gov.uk. You can also contact the TUO Helpdesk TELL-US-ONCE.SERVICEDESK@DWP.GOV.UK.

All users, including Organisational Administrators, should access the TUO system at least once a month to ensure continued access. If a user has Local Admin **and** Tell Us Once roles, they need to log in to both Local Admin and Tell Us Once if they wish to retain access to both. Users with linked accounts to multiple organisations will need to log on to each organisation they are linked to, including the services they access in each organisation.

The Tell Us Once team thanks all users for their ongoing support.

Action for administering authorities
Ensure that all users access the TUO system at least once a month. Contact your relationship manager if you wish to open a closed account.

Pensions Dashboard Programme (PDP) call for input on staging

On 27 May 2021, the PDP launched a Call for input on staging. The purpose of the call for input is to gather feedback and insight from pension schemes that will inform Government policy on staging. The PDP is recommending that all public service pension schemes should be onboarded in the initial wave – a two-year period starting from April 2023. Questions 22 and 23 of the call for input relate specifically to public service pension schemes and the impact the McCloud judgment may have on their dashboard readiness.

The call for input closes on 9 July 2021.

The PDP has published a blog about the staging proposals and an architecture brief for suppliers. The brief contains detailed information on the digital architecture that may be useful to data providers.

Action for administering authorities
Read the consultation and submit a response by 9 July 2021 if you wish to express your views about the proposals for staging. In particular, you may wish to respond to the questions that cover the administrative and resource impact of McCloud.

PDP progress update

The PDP April 2021 progress update report includes information updates on the programme achievements over the last six months. You can read more about the PDP timetable for delivering pensions dashboards in the Programme timeline.

PLSA launches LGPS research project

On 18 May 2021, the Pensions and Lifetime Savings Association (PLSA) announced an LGPS research project at its Local Authority Conference. The research will look at areas of best practice, the future challenges faced by the LGPS and identify areas where additional clarity is needed.

Training

Fundamentals training programme

We are pleased to announce that our Fundamentals training programme will resume this year. As usual, the training will take place in three locations: London, Leeds and Cardiff. The London sessions will be hybrid, so delegates will have the choice of attending in person or virtually. The sessions in Leeds and Cardiff will be face to face only. Use the links below to book your place now.

Fundamentals is a bespoke three-day training course aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected members, trade union representatives, member and employer representatives, a variety of officers who attend or support committees and representatives of private sector organisations that provide services to administering authorities. The course delivers a scheme overview and covers current issues relating to administration, investment and governance in the LGPS.

Attending all three days will assist delegates in meeting the requirement for knowledge, skills and understanding that is either required in statute or encouraged by relevant guidance.

Each day has a different theme and will include sessions delivered by experts in their field. The events also provide delegates with valuable networking opportunities. Each day's programme will start at 10am, with registration and coffee from 9:30am, and close by 4pm with refreshments and lunch provided. For full details see the Fundamentals training programme.

Cost and booking

The cost of each session is:

- £270 plus VAT for face to face training. The cost includes lunch, refreshments and all delegate materials
- £220 plus VAT for virtual attendance (London only). Please use the promotional code **HYB** on the booking page to activate the reduced rate.

We recommend early booking because places are limited. You can only book through the LGA events page. We have provided links to each event below for your convenience.

12 October: Day 1 London	Etc Venues – also Hybrid (use code HYB)
21 October: Day 1 Leeds	Park Plaza Hotel

26 October: Day 1 Cardiff	Marriott Hotel
9 November: Day 2 London	Etc Venues – also Hybrid (use code HYB)
18 November: Day 2 Leeds	Park Plaza Hotel
23 November: Day 2 Cardiff	Marriott Hotel
2 December: Day 3 London	Etc Venues – also Hybrid (use code HYB)
8 December: Day 3 Leeds	Park Plaza Hotel
15 December: Day 3 Cardiff	Marriott Hotel.

Annual governance conference

We hope that you can join us in person for the 2022 Annual governance conference. We will be returning to the Marriott Highcliffe Hotel in Bournemouth. The conference will have its popular lunchtime to lunchtime timetable from Thursday 20 to Friday 21 January 2022.

We are currently working on the final programme and speakers. Booking will open in June. If you would like to be notified when booking opens, please email your expression of interest to elaine.english@local.gov.uk.

Useful links

LGA Pensions page

LGPS member website (England and Wales)

LGPS member website (Scotland 2015)

LGPS Advisory Board website (England and Wales)

LGPS Advisory Board website (Scotland)

LGPS Regulations and Guidance website (England and Wales)

LGPS Regulations and Guidance website (Scotland)

Public Sector Transfer Club

Recognised Overseas Pension Schemes that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

Jeff Houston (Head of Pensions)
Telephone: 07786 681936
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Further information

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Whilst every attempt is made to ensure the accuracy of the bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions by emailing query.lgps@local.gov.uk.

LGPC Bulletin 211 – June 2021

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

Foreword

This bulletin contains important updates for administering authorities, scheme employers and software suppliers. It also provides a general update for all LGPS stakeholders.

This bulletin contains important articles on:

- High Court judgment on exit credits
- Making ABSs for active members available on a website
- MaPS MoneyHelper goes live

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

Index

LGPS England & Wales Scheme Advisory Board (SAB)

Response to consultation on new code of practice

On 4 June 2021, the Board's secretariat, in consultation with the Investment, Governance and Engagement committee, responded to TPR's consultation on a new code of practice on behalf of the SAB.

You can access the response on the responses to consultations page of SAB's website.

LGPS England & Wales

2021 guides and factsheets published

On 2 June 2021, Rachel Abbey emailed administering authorities letting them know that we have published 2021 versions of various guides and factsheets.

You can find the latest versions of the following publications on the Administrator guides and documents page of www.lgpsregs.org:

- annual allowance factsheet for members version 1.8
- a member's guide to AVCs version 2.3
- update for councillors in England (April 2014) version 2.1
- councillors full guide version 2.1
- introductory leaflet for councillors in Wales version 1.8
- employees brief guide version 2.2
- retirement planning guide version 1.2
- lifetime allowance factsheet for members version 1.8.

Useful tips about the Administrator guides and documents page:

- You can easily find the latest publications by sorting the table by publication date. Tap the Publication date column header twice to sort from newest to oldest.
- You can find old versions of documents by using the Filters on the right hand side of the page. Choose 'All' or 'Old' under status to find previous versions.

High Court judgment on exit credits

On 27 May 2021, the High Court handed down its judgment in the case of EMS & Amey v Secretary of State for MHCLG. The case relates to the non-payment of a £6.5 million exit credit.

The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020. The judge noted that 'there were compelling public interest reasons for making the regulations retroactive', and that 'the aim of avoiding windfall payments and protecting the pension funds was legitimate'.

Background

From 14 May 2018, the LGPS (Amendment) Regulations 2018 introduced a requirement on administering authorities to pay any surplus (exit credit) to exiting employers.

EMS exited the Scheme in June 2018. The surplus at leaving was £6.5 million. However, the administering authority had concerns about paying this amount to EMS because a ‘pass-through arrangement’ had been in place.

MHCLG made the LGPS (Amendment) Regulations 2020, which came into force on 20 March 2020. The regulations amended the exit credit rules, requiring administering authorities to decide the amount of an exit credit after taking into account relevant factors. The regulations do not apply to credits paid before 20 March 2020. Therefore, as the administering authority in this case had yet to pay EMS the exit credit, the new rules applied to it.

The claimants brought a judicial review against the 2020 Regulations applying retrospectively.

Clarification on the exit credit discretion

The claimants also raised concern about how administering authorities are applying the new rules; in particular, suggesting that some administering authorities are excluding the possibility of paying an exit credit because a pass-through arrangement is in place. All parties accepted that this is incorrect, and the regulations do not give primacy to any single factor. In paragraph 161, the Court clarified the parameters of the discretion to award exit credits:

> “i) The essential obligation of the decision maker is to make a rational and fair application of regulation 64(2ZAB) and (2ZC), giving the words their clear meaning.
>
> ii) Paragraph 7.2 of the explanatory memorandum could give the impression that no exit credit can or should be paid in the circumstances described in

> that paragraph. That impression would be misleading, because the regulation requires a multi-factorial discretion to be applied, having regard to all relevant facts of which the decision maker is made aware. The regulation does not make any single factor conclusive.
>
> iii) Regard may always be had to the fact that, by the legislation as amended by both the 2018 Regulations and the 2020 Regulations, the Defendant provided for the possibility of exit credits.
>
> iv) Regard also may always be had to the fact that, by the legislation as amended by the 2020 Regulations, a multi-factorial discretion was provided to replace, and no doubt was thought to be fairer than, an absolute entitlement.
>
> v) Regard must be had to the relevant factors stipulated at paragraphs (a) to (c) of regulation 64(2ZC).
>
> vi) The regulation does not give primacy to any single factor. The weight given to any relevant factors therefore will always depend on the facts of the individual case."

You can read the full judgment online.

Action for administering authorities
Check the wording in your funding strategy statement to ensure it does not exclude the possibility of paying an exit credit because a pass-through arrangement is in place.

LGPS Scotland

2021 guides and factsheets published

On 2 June 2021, Rachel Abbey emailed administering authorities letting them know that we have published 2021 versions of:

- annual allowance factsheet for members version 1.8
- lifetime allowance factsheet for members version 1.8.

You can find the latest versions of these publications on the Administrator guides and documents page of www.scotlgpsregs.org.

Useful tips about the Administrator guides and documents pages:

- You can easily find the latest publications by sorting the table by publication date. Tap the Publication date column header twice to sort from newest to oldest.
- You can find old versions of documents by using the Filters on the right-hand side of the page. Choose ‘All’ or ‘Old’ under Status to find previous versions.

SAB Annual Report 2019/20 launched

Councillor Jim Goodfellow, the Chair of the Scheme Advisory Board (SAB), recently launched the fifth Annual Report. The Report aims to provide a primary source of information about the Board’s work over the last financial year (2019/20) for members, employers and other stakeholders. The Report also summarises the financial position of the Scottish funds and provides membership statistics.

HMRC

Pension schemes newsletter 130

HMRC published Pension schemes newsletter 130 on 25 June 2021.

The newsletter provides an update on the temporary changes to pension processes which were due to end on 30 June 2021. These were to help scheme administrators during the pandemic. The changes in respect of accounting for tax returns and telling HMRC about QROPS transfers will end on 30 June 2021.

The newsletter also covers:

- a reminder to log in to your business tax account, as HMRC has started an ongoing programme to delete credentials for users who have not signed in for three years, and
- an update on the migration to the Managing Pension Schemes service.

HMT

Finance Act 2021 receives Royal Assent

On 10 June 2021, the Finance Act 2021 received Royal Assent.

The Act gives legal effect to the Government’s decision to freeze the lifetime allowance at £1,073,100 for tax years 2021/22 to 2025/26, as announced at the last budget. The Government used budget resolutions to freeze the allowance from 6 April 2021 to the date the Act received Royal Assent.

Treasury launches consultation on cost control mechanism

On 24 June 2021, HM Treasury launched a consultation on proposed changes to the cost control mechanism alongside a written ministerial statement.

The consultation follows a review of the mechanism by GAD, which was published on 15 June 2021. HM Treasury requested the review amidst concern that the mechanism was not operating in line with its original objectives, in particular that it would only be triggered by extraordinary, unpredictable events.

The consultation sets out Treasury's response to GAD's findings and proposes making the following three changes, all of which were recommended in GAD's review:

- only considering past and future service in the reformed CARE schemes in the mechanism (so, removing any allowance for final salary schemes)
- widening the 2 per cent corridor to 3 per cent
- introducing an economic check so that a breach of the mechanism would only be implemented if it would still have occurred had long-term economic assumptions been considered.

The outcome of the consultation will not impact on the 2016 cost control valuations.

The consultation recognises that there are differences between the LGPS and other public service schemes, especially in the way in which employer contributions are set. The Government welcomes views on how the economic check would apply to the LGPS.

The consultation does not cover schemes in Northern Ireland, though Treasury welcomes feedback from all stakeholders across all UK public service schemes.

The consultation closes at 11:45pm on 19 August 2021. We intend to respond and will share our response before the closing date.

The consultation is available to view on the:

- Non-scheme consultations page of www.lgpsregs.org and
- Non-scheme consultation page of www.scotlgpsregs.org.

Treasury launches consultation on the SCAPE discount rate methodology

On 24 June 2021, HM Treasury launched a consultation on the methodology the Government uses to set the SCAPE discount rate alongside a written ministerial statement.

The SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate is used in the valuation of unfunded public service pension schemes (such as the NHS scheme) to set employer contribution rates. The discount rate is also used to set actuarial factors in the LGPS and other schemes.

Subject to the consultation on the cost control mechanism (see previous article), the rate may also become relevant to the outcome of the mechanism in the future. This is because the Government proposes to base the 'economic check' on the SCAPE discount rate, or an alternative measure, such as expected long-term GDP.

The consultation seeks views on the objectives for the SCAPE discount rate and the most appropriate methodology for setting it.

The current level of the rate will not be changed by this consultation; the Government will carry out a separate exercise to set a new rate in line with the chosen methodology following this consultation.

The consultation closes at 11:45pm on 19 August 2021.

The consultation is available to view on the:

- Non-scheme consultation page of www.lgpsregs.org and
- Non-scheme consultation page of www.scotlgpsregs.org.

DWP

Consultation on pension scams

On 4 June 2021, Jayne Wiberg emailed administering authorities letting them know that we had published our response to the DWP consultation on pension scams: empowering trustees and protecting members (see bulletin 210 for further information).

You can find the consultation document, links to the gov.uk webpage and our response on the:

- Non-scheme consultation page of www.lgpsregs.org and
- Non-scheme consultation page of www.scotlgpsregs.org.

TPO

TPO News: June 2021

On 10 June 2021 the Pensions Ombudsman (TPO) published its June news. The news includes articles on:

- TPO legal forum taking place on 7 July 2021
- leaflets and factsheets recently published on the TPO website
- new legal determinations in May 2021.

TPR

Call for input on improving the pensions journey: Blog and extension

On 1 June 2021, the Pensions Regulator (TPR) published a blog setting out the reasons for the call for input on improving the pensions journey (see bulletin 210 for further information).

The blog highlights how the world of pensions has changed. Life expectancy has risen significantly over the last 60 years, the demographic of membership has altered and savers in defined contribution schemes outnumber their defined benefit counterparts by 15 to one.

The closing date of the call for input has been extended to 30 July 2021.

TPR publishes Equality, Diversity and Inclusion Strategy

On 24 June 2021, TPR published its Equality, Diversity and Inclusion Strategy.

The strategy sets out how TPR will embed diversity and inclusion throughout its organisation and how it will support the schemes it regulates to do likewise.

Other news and updates

Climate risk reporting

On 8 June 2021, the Government published its response to the recent consultation on taking action on climate risk. You can read more about this consultation in bulletin 206.

The Government will introduce new rules that will require trustees to report on their scheme's climate change investment risks by October 2021. The Government has introduced several changes and easements to the regulations in response to industry concerns.

The regulations will not apply to the LGPS. We expect MHCLG to bring forward regulations which will require similar levels of risk assessment and reporting later this year.

CWG minutes

The Communications Working Group (CWG) met on 8 June 2021. You can find the minutes on the CWG pages of www.lgpsregs.org and www.scotlgpsregs.org. Topics discussed include:

- COVID-19
- member website
- digital engagement
- McCloud remedy
- exit payment reforms
- death grant communications
- state pension credit
- publication of the 2021/22 annual workplan.

Commons committee publishes report on public sector pensions

In June 2021, the House of Commons Committee of Public Accounts published a report on public sector pensions, after taking evidence earlier this year from HM Treasury and the Government Actuary's Department.

The report includes the Committee's conclusions:

- HM Treasury focuses on affordability to the taxpayer, but this is often at the expense of its other objectives, such as ensuring a decent income in retirement and supporting employers in recruiting and retaining staff.
- Public service pensions are affecting the delivery of frontline services in some areas, due to increased employer contributions.
- HM Treasury has not done enough to ensure people understand the value of their pensions.
- HM Treasury has done little to identify and manage the stark differences in average pensions between genders and other groups.
- HM Treasury has had to revisit key elements of the 2014/15 reforms due to the McCloud judgment and the cost control process not working as intended. These issues may take decades to resolve fully.
- HM Treasury has not yet performed an evaluation of the 2014/15 reforms and the Committee is not convinced that it is on track to meet its objectives.

LGPS mortality data

On 15 June 2021, the Scheme Advisory Board (SAB) in England and Wales updated its LGPS mortality data to the end of March 2021. The data covers all LGPS administering authorities in England, Wales, Scotland and Northern Ireland.

On the same day, the SAB published updated reports from Aon and Barnett Waddingham. Each report sets out analysis of the mortality data of a single LGPS fund during the pandemic.

You can see the data and the reports on the SAB COVID-19 Mortality page.

Making ABSs for active members available on a website

In accordance with the Public Service Pensions (Information about Benefits) Directions 2014, administering authorities may provide annual benefit statements (ABS) to active members by making them available on a website. The Directions set out requirements that must be complied with when doing so. As a result of a question we have received, we would like to reiterate what those requirements are:

- if the member requests a copy of the ABS, the administering authority must provide a paper copy (or a copy in a similar form capable of being read) free of charge
- the administering authority must be satisfied that members will be able to get access to, and store or print, the ABSs
- the administering authority has taken into account the requirements of disabled persons
- each time the authority uses a website to provide an ABS to an active member, the authority must first have told the member that fact, explaining how the member will be able to access and read the statement
- where the authority is using a website for the first time to provide an ABS to the member, the authority must give the information mentioned in the last bullet by giving it to the member by hand or by sending it to the member's last known postal or email address. Each subsequent time, the authority must give that information in such manner as the administering authority considers will bring that information to the member's attention (including by sending it to the member's last known email address).

In our view, one of the ways it would be acceptable for the administering authority to bring the information to the member's attention is via the Scheme employer. The administering authority should satisfy themselves that the employer is able and willing to contact all relevant employees.

Action for administering authorities
If you make ABSs for active members available on a website, check that you are complying with the above requirements.

MaPS MoneyHelper goes live

On 18 March 2021, the Money and Pensions Service (MaPS) revealed plans to launch a single offering for consumers called MoneyHelper. This will replace the Money Advice Service, the Pensions Advisory Service and Pension Wise. Though, Pension Wise will continue as a named service under the MoneyHelper umbrella.

Roll out began on 7 June 2021 with the launch of the Beta MoneyHelper website, ahead of a working date of 30 June for the full launch of MoneyHelper. The Beta launch allowed MaPS to continue testing and to gather vital feedback ahead of the full launch.

Next steps

As part of the consolidation of three brands into one, MaPS has decided to discontinue some of their content. This will enable them to provide a better and enhanced consumer experience, a single source of information and guidance where information can easily be found in one place.

As of 30 June 2021, links to the legacy websites (Money Advice Service, The Pensions Advisory Service and Pension Wise) will automatically redirect to the relevant new location on MoneyHelper. If the article(s) or tool(s) no longer exist, it will redirect to a relevant landing page on the broader topic.

Following the launch of MoneyHelper, you will need to change how you reference MaPS in your communications. You will need to change any reference to:

- The Money Advice Service and The Pensions Advisory Service to 'MoneyHelper', and
- Pension Wise to 'Pension Wise a service from MoneyHelper'.

You can find support and messaging to help you prepare for the transition to MoneyHelper on the MaPS Introducing Moneyhelper dedicated webpage where you can download the MoneyHelper brand toolkit.

Action for administering authorities
Change your communications as set out above.

MaPS launches new standards for guidance

[The Money and Pensions Service (MaPS) has announced the launch of its new standards for guidance](). The new standards set out the core principles for the effective delivery, quality and performance requirements of MaPS Debt Advice, Pensions Guidance and Money Guidance functions.

National LGPS Technical Group

The National LGPS Technical Group held their last meeting on 18 June 2021. The minutes can be found in the Technical Group pages of www.lgpsregs.org and www.scotlgpsregs.org. Topics include:

- updates from Government departments
- McCloud updates from regional pension officer groups
- Pensions Dashboards staging call for input
- DWP consultation on pension scams
- automatic payment of default refunds
- claims management companies – standard response
- Prudential AVCs.

Wider landscape

FCA encourages people to complain about transfer advice

We understand that the Financial Conduct Authority (FCA) has written to over 2,500 people who are likely to have been wrongly advised to transfer out their defined benefit pension urging them to complain. The advice was given by four independent financial advice companies that have since collapsed.

In the letter, the FCA urges recipients to complain to either the Financial Services Compensation Scheme or the relevant liquidator.

Training

Annual governance conference

We hope that you can join us in person for the 2022 Annual governance conference. We will be returning to the Marriott Highcliffe Hotel in Bournemouth. The conference will have its popular lunchtime to lunchtime timetable from Thursday 20 to Friday 21 January 2022.

We are currently working on the final programme and speakers. Booking will open shortly. If you would like to be notified when booking opens, please email your expression of interest to elaine.english@local.gov.uk.

Fundamentals training programme

We are pleased to announce that our Fundamentals training programme will resume this year. The training will take place in three locations: London, Leeds and Cardiff. The London sessions will be hybrid, so delegates will have the choice of attending in person or virtually. The sessions in Leeds and Cardiff will be face to face only. Use the links below to book your place now.

About

Fundamentals is a bespoke three-day training course aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected members, trade union representatives, member and employer representatives, a variety of officers who attend or support committees and representatives of private sector organisations that provide services to administering authorities. The course delivers a scheme overview and covers current issues relating to administration, investment and governance in the LGPS.

Attending all three days will assist delegates in meeting the requirement for knowledge, skills and understanding that is either required in statute or encouraged by relevant guidance.

Each day has a different theme and will include sessions delivered by experts in their field. The events also provide delegates with valuable networking opportunities. Each day's programme will start at 10am, with registration and coffee from 9:30am, and close by 4pm with refreshments and lunch provided. For full details see the Fundamentals training programme.

Cost and booking

The cost of each session is:

- £270 plus VAT for face to face training. The cost includes lunch, refreshments and all delegate materials
- £220 plus VAT for virtual attendance (London only). Please use the promotional code **HYB** on the booking page to activate the reduced rate.

Please also note that you will need to make bookings for virtual attendance separately from any face to face bookings in order to use the code.

We recommend early booking because places are limited. You can only book through the LGA events page. We have provided links to each event below for your convenience.

12 October: Day 1 London	Etc Venues – also Hybrid (use code HYB)
21 October: Day 1 Leeds	Park Plaza Hotel
26 October: Day 1 Cardiff	Marriott Hotel
9 November: Day 2 London	Etc Venues – also Hybrid (use code HYB)
18 November: Day 2 Leeds	Park Plaza Hotel
23 November: Day 2 Cardiff	Marriott Hotel
2 December: Day 3 London	Etc Venues – also Hybrid (use code HYB)
8 December: Day 3 Leeds	Park Plaza Hotel
15 December: Day 3 Cardiff	Marriott Hotel

Legislation

Acts

Finance Act 2021 [2021/26]

Useful links

LGA Pensions page

LGPS member website (England and Wales)

LGPS member website (Scotland 2015)

LGPS Advisory Board website (England and Wales)

LGPS Advisory Board website (Scotland)

LGPS Regulations and Guidance website (England and Wales)

LGPS Regulations and Guidance website (Scotland)

Public Sector Transfer Club

Recognised Overseas Pension Schemes that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

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Further information

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Brent	**Pension Board** 22 July 2021
	Report from the Director of Finance

Brent Risk Register

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two Appendix 1: Risk Register Appendix 2: Risk Strategy
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.,uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Saagar Raithatha, Finance Analyst 020 8937 2817 Saagar.Raithatha@brent.gov.uk

1.0 Purpose of the Report

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

2.0 Recommendation(s)

2.1 The board is asked to note the overall report including the key changes set out in section 3.5.

3.0 Background

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

3.2 Using guidance from The Pensions Regulator and CIPFA, together with Brent's internal risk management resources, a process was undertaken in 2018 to produce a risk management strategy that was unique to Brent's circumstances. This involved a workshop that identified all of the relevant risks, assessed those risks in terms of likelihood, understanding risk management and contingency planning, monitoring risks and documentation in a register.

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

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

3.5 Key changes to the Risk Register:

- Annual Benefits Statement – Item 6.2 has been updated to reflect the annual process in submission of end of year returns for employers within the Brent Pension Fund.
- Draft Annual Accounts – Item 9.5 has been updated to reflect the publishing of the Brent Pension Fund Draft annual accounts.

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

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

4.0 Financial Implications

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

5.0 Legal Implications

5.1 None arising directly from this report

6.0 Equality Implications

6.1 None arising directly from this report

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable for this report.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None arising directly from this report

Report sign off:

Minesh Patel
Director of Finance

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The London Borough of Brent Pension Fund Risk Register 2021										
Index	A	B	C	D	E	F	G	H	I	J
1	Risk Area Disaster Recovery	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment 1
1.1	Operational Disaster Recovery Plans Brent	Loss of or unable to access admin systems for: a) Pensions b) Payroll c) Pensioner payroll	1	10	10	Brent Council Business Continuity Procedures	Brent	Annual	2021	Brent Council disaster recovery plan in place
1.11		Pension Systems I.T.	1	10	10	Database of all: a) Advisors b) Suppliers c) Contracts	Brent	Annual	2021	Held as hard copy by Brent Council's Legal Department
1.2	Operational Disaster Recovery Plans LPP	Loss of or unable to access LPP admin systems for pensions	1	6	6	LPP Shared Service Agreement.	LPP	Annual	2021	From 1 October 2018 LPP disaster recovery plan in place as part of their Shared Service Agreement with Brent Council
1.21		LPP Pensions Admin System (Altair) used by Brent Council Employers, Maintained Schools and Academy's	1	6	6	LPP Shared Service Agreement	LPP	Annual	2021	LPP have a recovery plan in place for their pension admin platform Altair (External provider Aquila/Haywood)
2	Risk Area Business Continuity Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
2.1	Business Continuity	LPP Financial Standing	1	10	10	LPP Service Contract	Brent	Annual	2021	Brent Council discuss LPP budget at regular contract monitoring meetings.
3	Risk Area Risk Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
3.1	Risk Planning And Monitoring	Not monitoring: a) Risk and the risk plan b) And amending it as required c) Or adding new areas of risk as they appear Will lead to the risk plan being: a) Inaccurate b) Known risks not being accounted for c) No plans to address these risks	1	10	10	Risk Plan	Brent	Annual	2021	The Risk Register is monitoring and reviewed by the Scheme Manager and the Pensions Board. Areas of risk are when required: a) Updated b) Amended c) New risks added if identified
4	Risk Area Data Security	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
4.1	Data Security	External attack, loss of data, locked out of data, poor internal procedures can lead to an increased risk of attack from: a) outside b) or internal fraud	2	10	20	Brent Council Data Security Procedures	Brent	Annual	2021	Procedures on data security in place, systems kept up to date with latest security updates
4.12		Not backing up data regular using secure backup systems	2	10	20	Data Back Up Procedures.	Brent	Annual	2021	Data is backed up on an incremental basis daily and fully backed up weekly, data kept in secure sites.
4.13		a) Clean desk polices not being adhered to: b) Cabinets left open or not locked c) Documents left out overnight d) Documents left on colleagues desk when they are away e) Computer not locked when operator leaves their desk	2	5	10	Brent Council Data Security Procedures	Brent	Annual	2021	Possibility of: a) Sensitive data being seen by unauthorised persons b) Data theft c) GDPR breached e) Brent Councils reputation put at risk
4.14		Taking laptops away from desk that are not password protected with encryption, using them on public transport Not storing laptops in secure location when not in use	1	5	5	Brent Council Data Security Procedures	Brent	Annual	2021	This can lead to: a) Large losses of sensitive data b) Unauthorised people seeing sensitive data while on public transport c) Breach of GDPR d) Breach of Councils policies and dismissal from service
4.2	General Data Protection Regulations	General Data Protection Regulations (GDPR) came into effect 25 May 2018, failure to comply with GDPR will lead to: a) Complaints b) Data breaches c) Possible fines d) Loss of reputation	1	10	10	Brent GDPR Policies	Brent	Annual	2021	Brent has GDPR policies in place and publishes GDPR privacy notices: a) Online b) Yammer c) In news letters d) In communications to its members, employers, academy's, maintained schools
4.21		Sending sensitive data by email ensuring it will be sent to the right recipient and encrypted, or using a secure transmission system	2	8	16	Brent GDPR Policies	Brent	Annual	2021	Sensitive data being sent to an unauthorised person or business leading to breach of GDPR
4.3	Cyber Security	Unlawful cyber access or attacks could be serious for a scheme and its members, and could in the end result in identity theft, loss of data or even loss of financial assets	3	10	30	Brent Council Data Security Procedures LPP Cyber Security Procedures	Brent	Annual	2021	Both Brent and LPP have significant cyber security policies and procedures in place to prevent and deter cyberattacks. The impact of a cyber attack could be significant, so it is important for these to be permanently up to date. Brent Officers have taken a review of the current cyber security strategy ensuring that extensive measures are in place and up to date in order to safeguard the integrity, confidentiality and availability (ICA) of information.
5	Risk Area Pension Administration	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
5.1	(Scheme Data) Scheme Data Provided to LPP by Capita for: Maintained Schools Academy's Employers	Missing common and Scheme Specific data not provided by employers, maintained schools and academy's leads to delay in progressing administration for members	5	10	50	LPP Data Check	Brent	Annual	2021	LPP run a test of the data each month. These scores are included in the Admin Update report taken at each Pension Board meeting.
5.2	Record Keeping Planning	Not updating the record keeping plan to take into account changes of circumstances thorough the year could lead to a failure to take corrective action leading to a drop in the quality of scheme data or delays in processing member benefits	5	10	50	RKP 2020	Brent	Monthly	Monthly	Brent record keeping plan to be created to deal with poor common data and scheme Phase 1 of data cleanse project is now complete. Officers are working with LPP to identify requirements of phase 2 of the project. The Record Keeping Plan will be updated and presented to the Board in November 2021.
5.3	(Employer Data) Maintained Schools Academy's Employers Supplied Data to Capita	Failure by Maintained Schools, Academy's, Employers to provide data accurately and on time to the LPP results in poor scheme data held by the LPP	5	10	50	PAS 2021	Brent	Annual	2021	Employers to export data monthly to LPP system highlighting data problems by import validation, also reporting from the admin systems of missing files leads to early indication of employers having data problems Training to be provided to employers by the LPP on using the systems and what LPP requires from employers Revised PAS sets out what employer need to be doing
5.4	Loss of Key Staff Members	Specialist nature of the work means there are relatively few staff members with knowledge of the Local Authority Pensions Regulations and Pensions Administration requirements. Significant knowledge gap left if specialist staff leave, likely to cause short-term disruption.	4	8	32	Training Plan	Brent	Annual	2021	Key Officers to ensure processes are documented and knowledge is being passed on to other members of the team, to ensure limited disruption in the event of an unexpected absence or leaving the position. Training events delivered by external parties are available and staff are encouraged to attend External Support is available to mitigate this risk, both from external advisors and LPP who manage the fund's administration

5.5	Impact of Coronavirus (COVID-19)	Increase in staff who are unwell leading to: a) Delays in administrative processing and increase in backlog cases b) Member benefits being delayed c) Increase in complaints d) Difficulties in meeting key deadlines such as year-end Delays in implementing the agreed investment strategy due to volatile financial markets.	**10**	**7**	**70**	Brent Council Business Continuity Procedures LPP Business Continuity Procedures Hymans Robertson Business Continuity Plan (as Fund Actuary and Investment Advisors)	Brent	Ongoing	Ongoing	Situation is being monitored on an ongoing basis. Staff to observe Government and NHS guidance which is being updated on a regular basis. Increased use of flexible and remote working technologies are now in place to enable staff to operate in an efficient and effective manner. The Pensions Administration and Finance team have shifted to working from home. Priority over the last few months has been focussed on ensuring completion of year end activities and priortisation of admin related tasks such as death benefits, retirements including ill health and refunds. The Fund will not experience any issues in payment of member benefits as a result of market movements. The Fund will continue to hold a well-diversified portfolio of investments and maintain a long-term perspective.
5.6	Transfer of LPP Administration System from Heywoods to Civica	Risk in transffering of LPP Admin systems from Heywoods to Civica: a) Delays in timely completion of transfer leading to delayed administrative processing b) Inaccurate transfer of scheme data from one system to the other leading to incorrect calculations of member benefits c) Members benefits being delayed d) Increase in complaints e) Places an unwarranted and costly drain on Brent resources of providing service to its members	**4**	**7**	**28**	Risk and Project Plan	LPP	Ongoing	Ongoing	LPPA has recently been through a procurement exercise for their pension administration system and contracts have been signed with Civica to provide their Universal Pensions Management (UPM) system. The UPM system will replace Altair as well as LPP's workflow management system (CMS), both YourFund employer portals and the My Pension Online member self-service portal. Project PACE is being delivered by a dedicated team of project managers and ringfenced project roles to ensure no impact to the day to day performance of the business. It is expected that Go Live for the Brent Pension Fund will be in September 2022. The project will be spread over 4 phases, initially to deliver UPM to those clients whose Heywood contracts will terminate first. The transfer of this service from Heywood's to Civica while having many benefits will also involve risks that are to monitored regulary by LPP through their Project Plan capturing key dates, task, milestones, risks and controls in place. LPP are to provide Brent officers with regular updates in weekly and monthly meetings to ensure succesfful transfer of administrative systems.
6	**Risk Area Plan Events**	**Risk Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
6.1	Pension Plan Events Planning	Plan events such as: a) Annual benefits statements b) Year end reporting to the TPR c) Accounting d) Pension increases e) Plan valuations f) All require planning in advance to ensure completion on time	**4**	**10**	**40**	Plan Calendar	Brent	Annual	2021	Plan Calendar to identify events: a) What work is required b) What recourses will be used c) Completion and sign off
6.12		Pension projects such: a) GMP reconciliation b) Changes in legislation that needs to be actioned c) GMP equalised for men and woman	**5**	**10**	**50**	Plan Calendar	Brent	Annual	2021	To allow longer term planning for items such as: a) GMP reconciliation b) New legislation coming in to effect c) Ensure Plan events are completed on time d) Prepare for GMP equalisation
6.2	Annual Benefits Statements 2020/21	Failure to have the necessary correct and accurate data will lead to: a) Statements not being sent b) Possible delay sending statements whilst this data is obtained and systems updated	**6**	**10**	**60**	LLP Shared Service Agreement and PAS	Brent	Annual	2021	It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year. Scheme employers are required to submit an end of year return in order to be able to produce an ABS. Following submission of the return, employers may be required to respond to queries to clarify any data on the return before an ABS can be produced. It is therefore important that end of year returns are received promptly. Therefore, delays in submission of returns can lead to a risk that the ABS are not issued by the deadline. Where returns have not been promtly received, Brent and LPP will work together directly with employers to ensure prompt and accurate submission of end of year returns.
6.21		Annual Benefits Statement dependant on: a) Common Data b) Scheme Specific data c) Data being improved from the RKP	**5**	**10**	**50**	LLP Shared Service Agreement	Brent	Annual	2021	Improvement to common and Scheme Specific data being carried out under RKP.
6.3	Deferred Member Benefit Statements 2020/21	Incorrect Statuses, no address, missing data to calculate leads to: a) Statements not being issued b) statement inaccurate c) Incorrect valuation and liabilities for the Plan.	**5**	**10**	**50**	LLP Shared Service Agreement	Brent	Annual	2021	Member data is being dealt with under the Record keeping Plan.
6.4	Year End Return	Failure to complete year end return and submit on time leads to fines	**2**	**10**	**20**	PAS 2021 & Plan Calendar	Brent	Annual	2021	All Plan calendar events to be recorded with plans to ensure they are carried out, better planning for EOY with pro active action to get employers to provide data on time in place. Training session provided to employers to assist completion.
6.5	Admission Agreements	Failure to process an admission agreement within the time frames set on in LGPS regulations can lead to transferring employers pension entitlements being delayed, legal issues stopping the agreement from being implemented and costs incurred that can not be recovered	**5**	**10**	**50**	Internal Controls	Brent	Annual	2021	Process for admission agreements to be strengthened
6.52		Not having procedures and processes to processes and monitor agreements are on track and any reason for delayed identified and acted on could lead to delays in implementation of the agreement	**5**	**10**	**50**	Internal Controls	Brent	Annual	2021	Monitoring for admission agreement to be improved
6.53		Oversight of the legal team and ensuring that they are processing the legal agreements in the time set out in the procedures and requirements of admission agreements is a major factor on processing an admission agreement on time	**5**	**10**	**50**	Internal Controls	Brent	Annual	2021	Overseeing of the legal team on admission agreement by the Scheme Manager to ensure no delays and prompt processing of agreement becomes a priority
6.54		Failure to keep to rules and regulation on admission agreement will require this failure to be reported to the TPR	**5**	**10**	**50**	Internal Controls	Brent	Annual	2021	Breeches log to bring attention of failing and lessons learned in processing admission agreements
7	**Risk Area Auto Enrolment**	**Risk Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
7.1	Auto Enrolment	Failure to process auto enrolment on time leads to: a) Member complaints b) Members unable to opt out or in c) Delayed administration d) Possible action by the regulator to improve or be fined	**1**	**10**	**10**	Auto Enrolment Procedures	Brent	2020	2021	Auto enrolment checked monthly for: a) Enrolment b) Opt outs c) Opt Ins d) Auto Enrol Renewal, as part of Brent procedures for pensions and payroll
8	**Risk Area Regulatory**	**Risk & Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
8.1	Anti Fraud Initiatives Mortality Existence	Benefits paid to people not entitled to benefits from the LGPS	**2**	**5**	**10**	2019 Anti Fraud Plan	Brent	Annual	2021	Administration processes check for fraud
8.2	Pension Board Training	Pension Board members not having the appropriate degree of knowledge and understanding to perform their duties. Pension Board member not having the right knowledge to make informed decisions and challenge Officers of the Council	**1**	**5**	**5**	Pension Board Training Plan	Brent	Annual	2021	Regular training is provided via a training programme for Pension Board members All Pensions Board members to complete and pass the TPR public pensions course online
8.3	Pension Board Conflict Of Interest	Conflicts of interest must be declared in the Register of Interests Failure to declare an interest can lead to serious consequences and pose a risk to the Plan and possibly member	**1**	**5**	**5**	Conflict of Interest Register	Brent	Annual	2021	The register of interests and other relevant documents are circulated to the Pension Board for ongoing review and are published on the Brent Council's website

8.4	Governance	Failure to have good governance plans in place which are reviewed and monitored can lead to: a) Poor administration b) Increased administration costs c) Poor investment outcomes d) Increased levels of risk e) Not understanding what the risks are and having plans to manage the risk f) Statutory requirements not being met such as: g) Annual benefits statements not being produce and sent out h) Pension saving statements not being produce and sent out i) Year end returns late	1	3	3	Multi areas cover governance: a) Plan Rules b) Business Plan c) PAS 2018 d) Scheme Manager e) Pensions Board f) Pensions Sub Committee.	Brent	Annual	2021	Governance is monitored by: a) Scheme Manager b) Pensions Board c) Pensions Sub Committee d) Internal and External Controls
8.5	Failure to make provision for oversight of the administration of the Plan	Failure to ensure that overall oversight is in place and carried out can lead to: a) Breaches of the law b) Poor administration and record keeping c) Unauthorised payments d) Poor administration being allowed to continue e) Failure to meet deadline on time f) Possible fines g) Fraud to occur h) Loss of confidence and reputation for the Council	1	2	2	The Pension Board assists the Scheme Manager in the provision of oversight of how the Plan is administered	Brent	Ongoing	2021	The oversight of the plan is carried out by the Scheme manger with assistance from the Pension Board
8.6	Discretions	A decision to add pension or disregard a reduction on pension for early payment leads to increased costs to the employer	1	5	5	Chief Financial Officer	Brent	Annual	2021	Discretions under review on early retirement with actuarial reduction, Discretions are covered under LGPS Rule 30 (2&5) In preparing such a statement the Council must have regard to the extent to which the discretions are exercised to avoid a loss of confidence in the service provided
8.7	Data Protection Breaches	Breaches not recorded and failure to report a breach to the regulator can lead to fines and loss of reputation	3	6	18	Breaches Log	Brent	Monthly	Monthly	Breaches log to monitor all breaches and report of breached to the regulator
9	**Risk Plan Funding & Accounting**	**Risk & Outline**	**Likelihood**	**Impact**	**Score**	**Control**	**Owner**	**Test**	**Next Review**	**Comment**
9.1	The Fund's Assets Insufficient To Meet Long Term Liabilities	Pension Fund Assets not sufficient to pay: a) Pension benefits b) Transfers c) Death benefits d) Could lead to raising of pensions contributions e) Plan has to reduce benefits f) Reassessment of the funding strategy	2	10	20	Public Sector Payroll Controls	Brent	2020	Monthly	Contributions are checked on a monthly basis Overdue Contributions: Employers Academy's Maintained Schools Are actively chased
9.11			1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2022	A report on the 2019 Triennial Review (including the Funding Strategy Statement) was presented to the Pension Board at the March 2020 meeting.
9.12			1	10	10	Fund's Funding Level Assessment	Brent	Monthly	Monthly	The Fund receives regular performance reports on its investments from the custodian. The Fund actuary, Hymans Robertson, completes a valuation of liabilities every 3 years.
9.2	Impact of McCloud judgement on Long Term Liabilities	Court of Appeal ruling that transitional protections were unlawful on the grounds of age discrimination could increase employer contributions.	8	6	48	Triennial valuation/ Funding Strategy Statement	Brent	Quarterly	Ongoing	Following the close of the McCloud consultation, Brent Officers have now provided a response to MHCLG following discussions with the Fund's actuary, Hymans Robertson and the Fund's admin provider LPP. At this stage, it is likely that greater admin resource will be required and it is expected that there will be a cost to the Pension Scheme. Officers are now in discussions with LPP and Hymans to prepare for the impact as we await the government's formal response to the consultation and the subsequent change in regulations enacted in law.
9.3	Exit Pay Reforms	New legislation being introduced in the autumn which will alter the way redundancy benefits are carried out for members aged 55 and over.	2	6	12	Governance & Compliance	Brent	Quarterly	Ongoing	On 12 February 2021, The Chancellor of the Exchequer determined that the Restriction of Public Sector Exit Payments Regulations 2020 Regulations should be withdrawn. After extensive review of the application of the Cap, the Government has concluded that the Cap may have had unintended consequences. On 25 February the necessary legislation was laid in Parliament to revoke the Restriction of Public Sector Exit Payments Regulations 2020 (the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021). The policy consultation that MHCLG launched in September 2020 on Reforming Local Government Exit Pay is now considered closed. There will be no further changes made to Local Government pensions or redundancy terms without a further, separate consultation. In light of this, Brent Officers will continue to monitor such updates, liase with the Fund actuary and update the Pensions Board accordingly.
9.4	Pension Contributions not Paid by: Maintained Schools Academy's Employers a) On time b) Or not at all c) Refusal to pay	Effects the Plans abilities to: a) Pay out benefits b) Braking the law on pension contribution collections. c) Unnecessary costs for chasing for contributions. d) Continuing non payment for pension contributions will lead to: e) Breaches for the payment of pension contribution regulations f) Being reported for breaches as required by law g) Delay benefits beginning paid h) Can lead to delays in accounting for pension contributions	2	10	20	PAS	Brent	2020	2021	Procedures in place to deal with pension contributions not being made or late
9.41			2	10	20	PAS	Brent	Annual	2021	Engaging with: a) Employers b) Academy's c) Maintained Schools d) With working parties and employer forums e) LPP to provide more support in this area
9.42			2	10	20	PAS	Brent	Annual	2021	Contributions are monitored on a monthly basis and late or non payers reported. 2019 Revised PAS to include fines for non compliers
9.5	Pension Plan Accounting	Failure to comply with accounting regulations will lead to serious consequences: a) Possible fines b) Loss of reputation	2	10	20	Annual audit	Brent	Annual	2021	Accounts for the year to 31 March 2021 is to commence the undertaking of the annual audit. Draft Accounts have been taken to the Pensions Sub Committee. The final accounts and annual report will be taken to the Sub Committee in October 2021, following sign off from the auditors Grant Thornton.
9.51			1	10	10	Triennial valuations	Brent	Tri Annual	2022	2019 Triannual completed. Next triannual valuation 2022
9.52			1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2022	A report on the 2019 Triennial Review (including the Funding Strategy Statement) was presented to the Pension Board at the March 2020 meeting.
9.53			1	10	10	Fund's Funding Level Assessment	Brent	Monthly	Monthly	The Fund receives regular performance reports on its investments from the custodian. The Fund actuary, Hymans Robertson, completes a valuation of liabilities every 3 years.

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London Borough of Brent

Risk Strategy

Table of Contents

1. Introduction

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

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

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

2. Strategy objectives

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

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

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

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

3. Purpose of the strategy

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

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

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

4. Effective date

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

5. Review

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

6. Scope

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

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

7. Risk Management Philosophy

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

7.2 In managing risk, the Administering Authority will:

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

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

8. CIPFA and the Pensions Regulator's Requirements

8.1 CIPFA Managing Risk Publication

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

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

8.2 The Pension Regulator's Code of Practice

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

249B Requirement for internal controls: public service pension schemes

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

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

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

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

The risk assessment should begin by:
- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:
- how the control is to be implemented and the experience of the person(s) performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:
- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

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

9. Responsibility

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

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

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

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

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

10.2 Risk identification (1)

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

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

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

10.3 Risk analysis (2)

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

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

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

10.4 Risk control *(3)*

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

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

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

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

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

10.5 Risk monitoring (4)

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

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

11. Reporting and monitoring

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

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

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

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

12. Key risks to the effective delivery

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

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

13. Risk Register Appendix A

The Risk Register Appendix A :

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

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London Borough of Brent Pension Fund

Q1 2021 Investment Monitoring Report

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

HYMANS ROBERTSON

Executive Summary

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

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

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

Key Actions
In Q1 2020 Officers continued the implementation of the following agreed transitions:
- 3% from UK equities with 1.5% to Global equities and 1.5% to Ruffer.

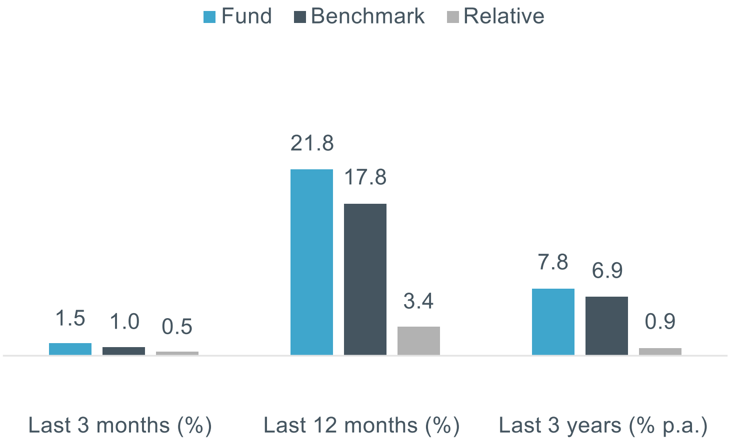
The on-boarding process for the investment in BlackRock Low Carbon Fund is expected to be completed in Q2 2021. This 3% investment will be funded from cash.

Over the quarter the fund committed £30m to the LCIV Private Debt fund.

Key points to note

- The Fund has posted positive returns over the past 3 months, ending the quarter with a valuation of £1,032.1m up from £1,010.4m at the end of Q4 2020.
- The Fund’s Growth holdings were the main drivers of returns, along with the Ruffer fund which added notable performance. Within equities, the UK equity fund was the standout performer on an absolute basis.
- The Fund’s gilt holdings detracted from returns following the sharp rise in yields over the quarter as inflation expectations rose.
- During Q1, £30m was sold from the UK Equity fund, with the proceeds split equally between global equities and the Ruffer Multi-asset fund.
- The Fund is currently holding more cash than usual. The Fund’s upcoming investment in Low Carbon equities, and capital calls for the private markets mandates, will be funded from cash.

Fund performance vs benchmark/target



High Level Asset Allocation

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

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

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

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

Interim
Growth – 55%
Income/Diversifiers – 30%
Protection – 15%

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

The Fund is currently overweight growth assets and cash and underweight diversifiers.

Of the c.£54m in cash, £28m is due to be invested in the BlackRock Low Carbon fund in Q2 2021.

During Q1, £30m was sold from the UK Equity fund, with the proceeds split equally between the Global equities fund and the Ruffer Multi-asset fund.

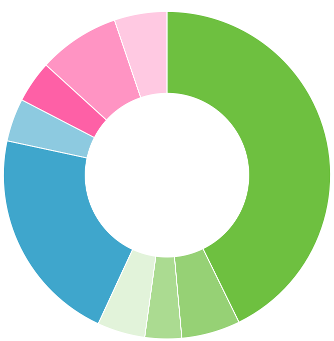
The LCIV infrastructure fund is still in its infancy with an expected 3 year ramp up phase. We therefore expect the Fund commitment of £50m to continue to be drawn down until end 2022

Asset Allocation

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

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

Asset class exposures



Source: Investment Managers

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

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

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

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

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

Manager performance

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

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

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

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

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

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

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

Manager ratings

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

Ruffer business update

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

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

Source: Investment Managers

LGIM Global Equity

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

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

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

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

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

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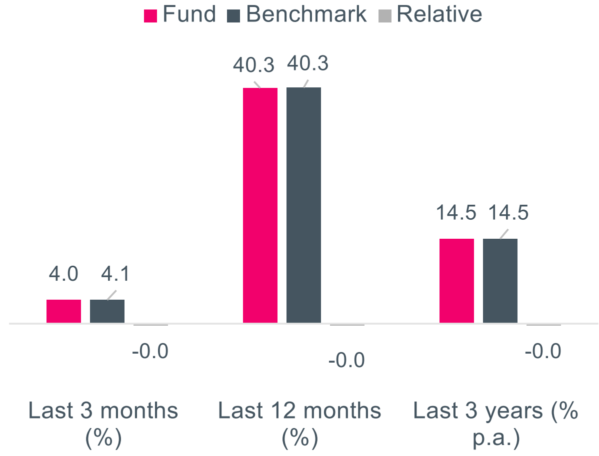
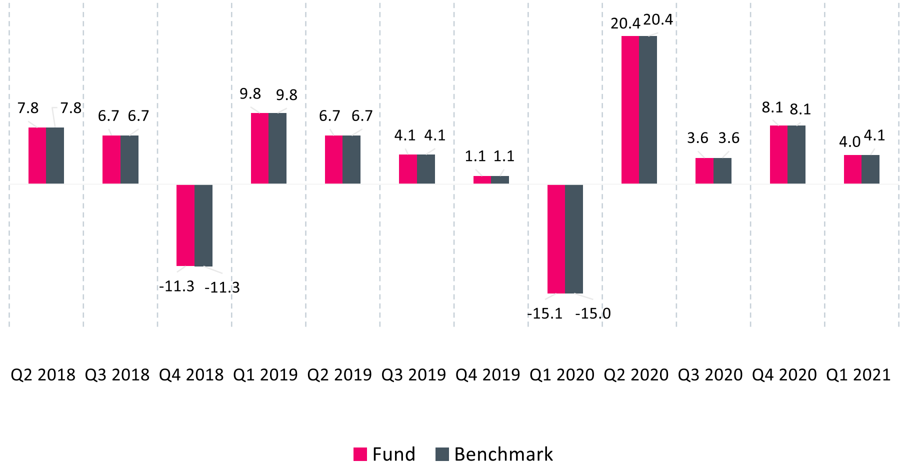
Fund Performance vs benchmark



Historical Performance/Benchmark



Source: Investment Manager

LGIM UK Equity

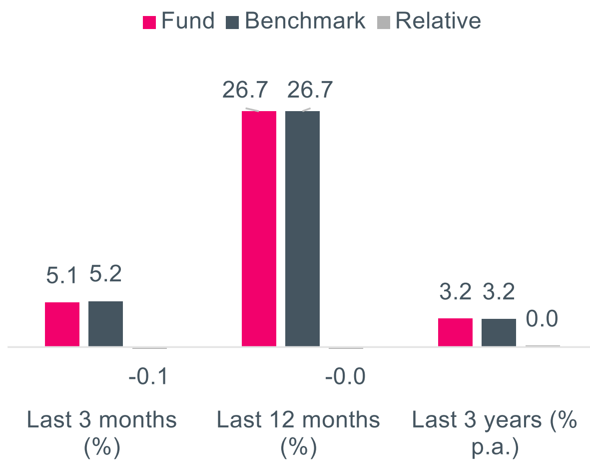
The LGIM UK equity mandate returned 5.1% over the first quarter. Performance over 12 months is strong, albeit not as strong as returns for global equities.

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

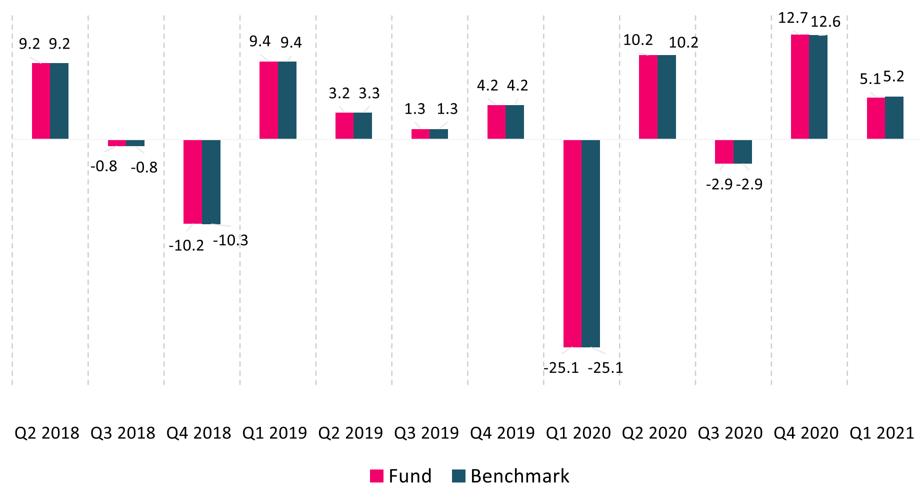
Over the quarter the fund has performed in line with its benchmark as we would expect for a passively managed portfolio.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



Source: Investment Manager

LCIV JP Morgan Emerging Markets

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

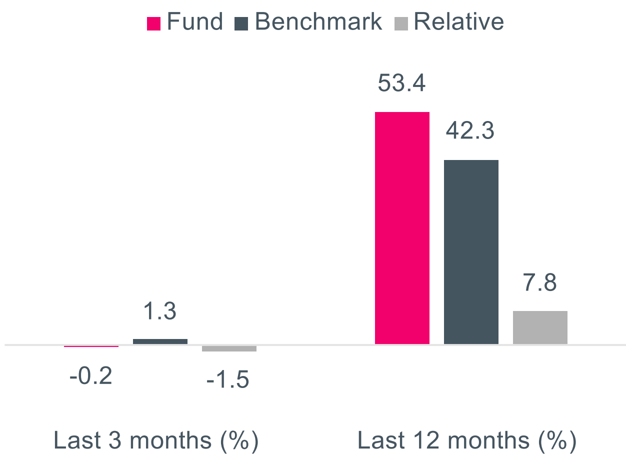
The fund underperformed in the quarter due to its preference for quality growth stocks, which underperformed as investors rotated from growth to cyclicals.

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

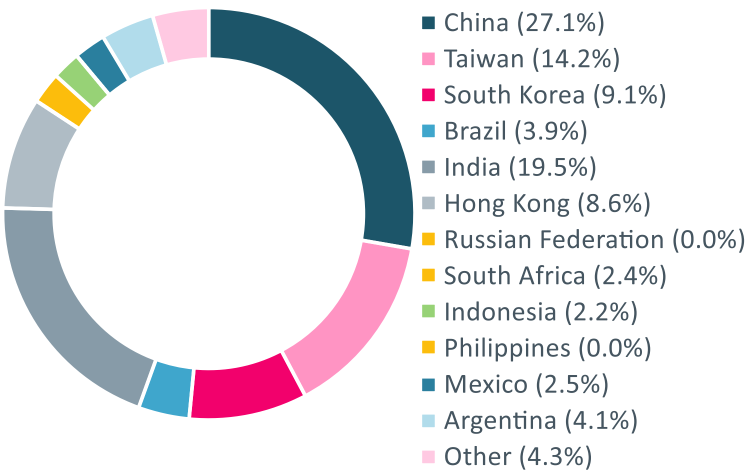
The manager expects the current concerns around rising inflation to reduce, leading to a resumption of more positive sentiment and a focus on individual stock performance which they expect to be beneficial for their high quality holdings.

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

Fund Performance versus benchmark



Fund Regional Allocation



Source: Investment Manager

Capital Dynamics Private Equity

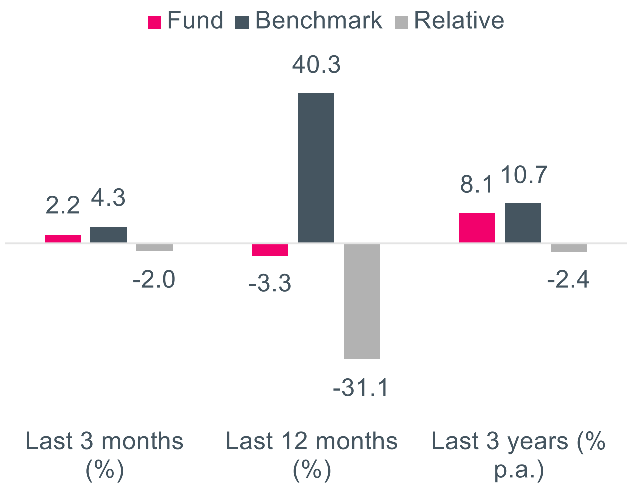
The Capital Dynamics Private Equity fund is invested across a range of sub-funds offering good diversification.

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

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

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

Fund performance vs benchmark



Summary as at 31 December 2020

Total contributed:	c.91.5%
IRR:	9.7%
TVPI:	1.67x

Source: Investment Manager

LCIV Baillie Gifford Multi-asset

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

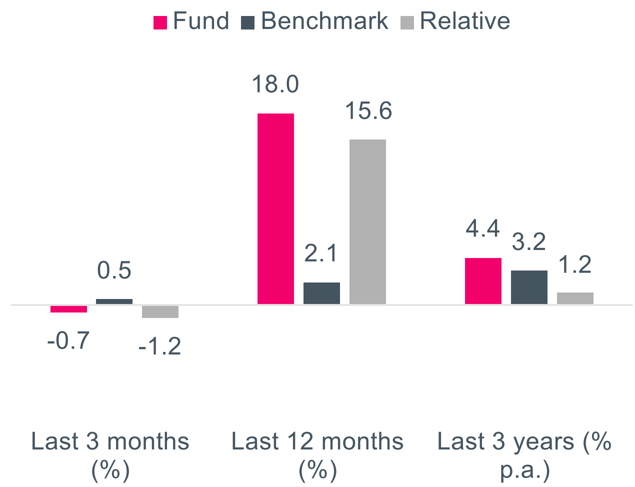
With the focus on cyclical recovery in the portfolio and the reopening of economies, listed equities were the key contributors to performance. The fund's exposure to structured finance and high yield credit also positively contributed.

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

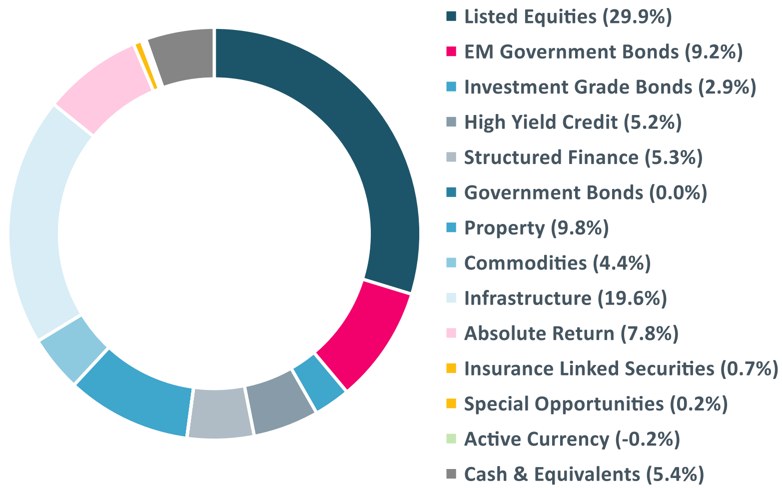
The manager rotated the portfolio over the quarter to position for a cyclical recovery. Allocations in equity and infrastructure have been added as well as holdings in companies expected to do well once economies re-open, such as leisure and travel.

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

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

LCIV Ruffer Multi-asset

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

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

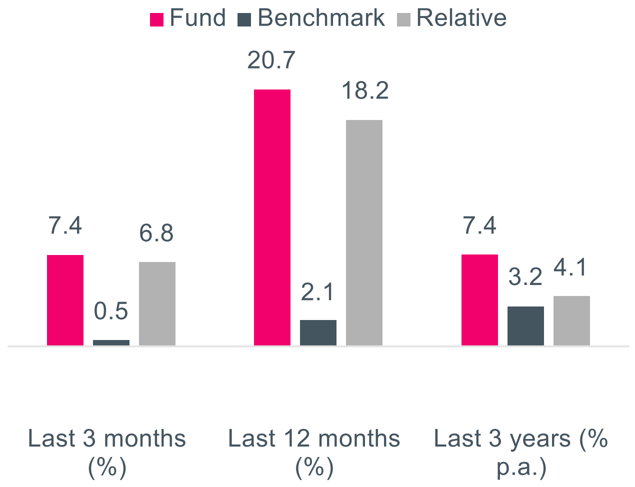
The large allocation to UK equities also added to returns, specifically the UK financial holdings which benefitted from the large rise in bond yields.

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

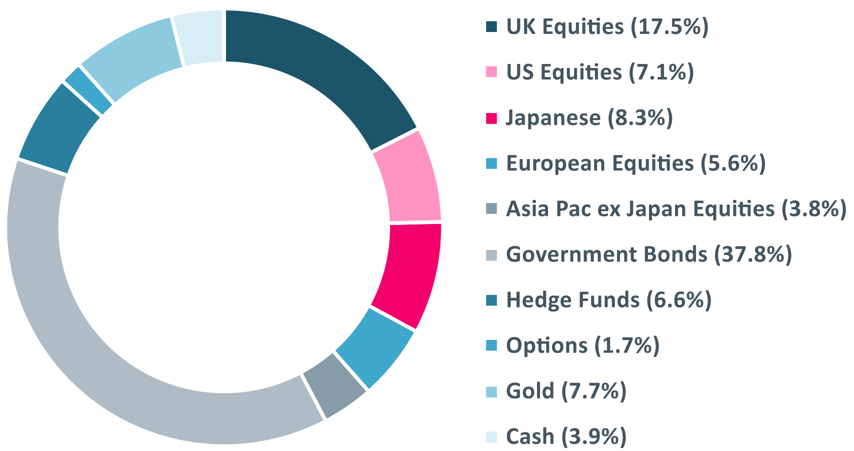
The manager also reduced the allocation to inflation-linked government bonds, along with gold miners.

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

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

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

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

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

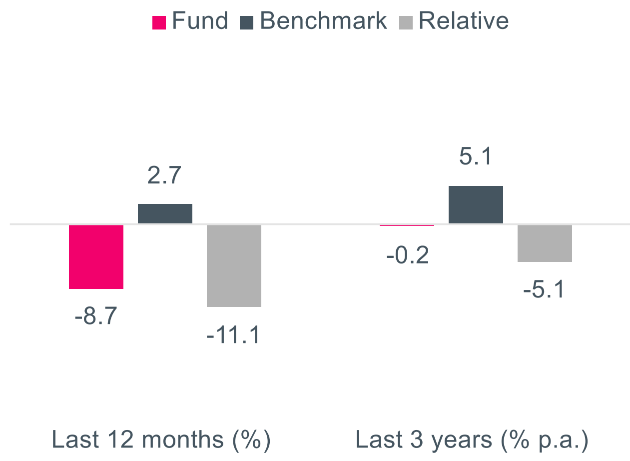
Remaining capital commitments as at 31 December 2020 are as follows:

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

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

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

Fund performance vs benchmark



Summary as at 31 December 2020

Alinda Fund II	
IRR (Gross)	5.9%
IRR (Net)	3.3%
Cash yield	6.9%
TVPI (Net)	1.2x

Alinda Fund III	
IRR (Gross)	20.4%
IRR (Net)	12.6%
Cash yield	10.1%
TVPI (Net)	1.3x

Source: Investment Manager

LCIV Infrastructure

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

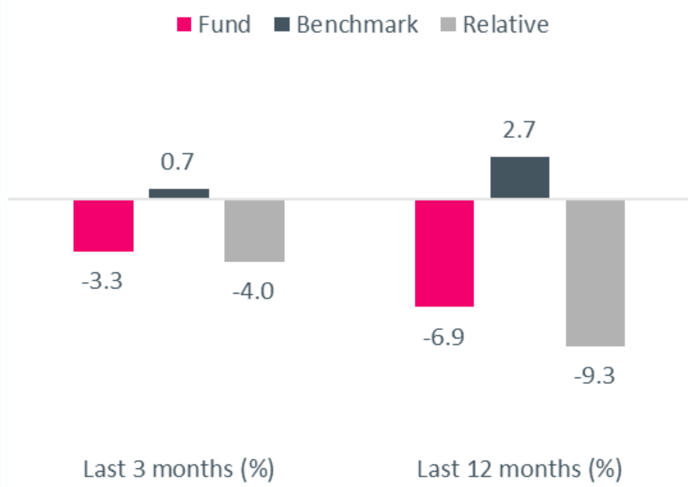
The LCIV Infrastructure fund is managed by Stepstone.

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

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

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

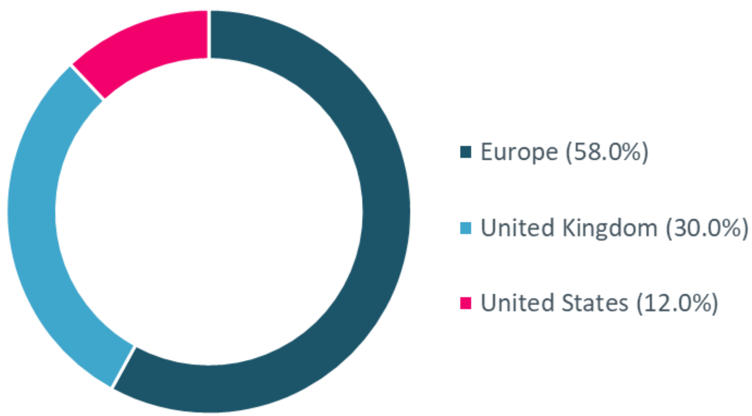
Fund performance vs benchmark



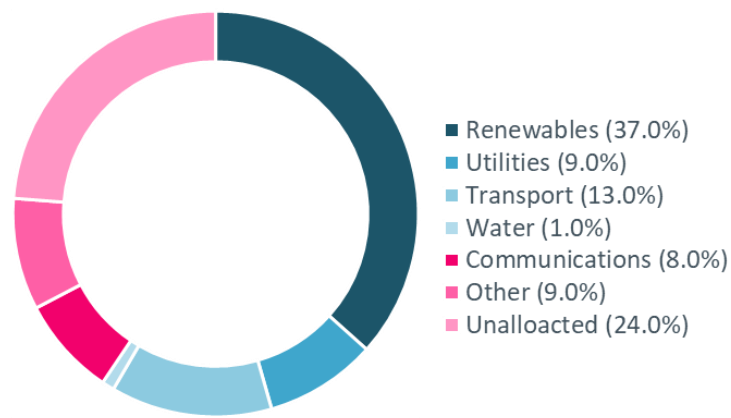
Fund Statistics as at 31 December 2020

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

Fund Geographical Allocation



Fund Sector Allocation



Source: Investment Manager

Capital Dynamics Infrastructure

Target: Absolute return of 8.0% p.a.

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

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

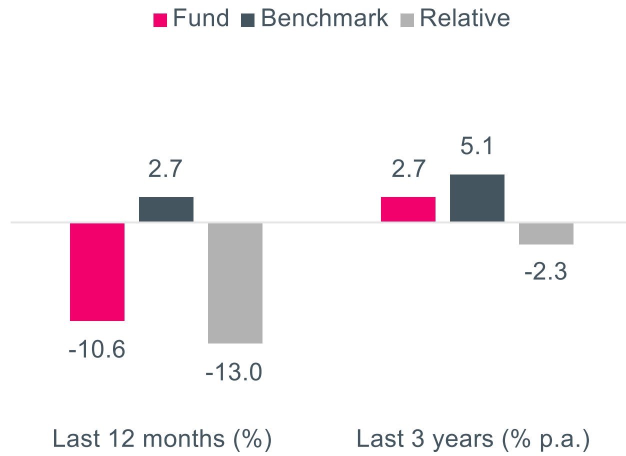
With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

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

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

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

Fund performance vs benchmark



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

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

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

Source: Investment Manager

LCIV CQS Multi Credit

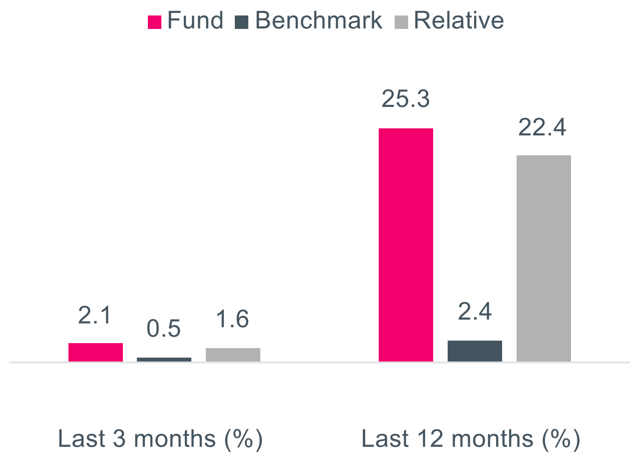
Over the first quarter of 2021 the LCIV's multi-asset credit strategy returned 2.1% against a benchmark of 0.5%. 12 month performance has been strong, with the fund returning 25.3%.

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

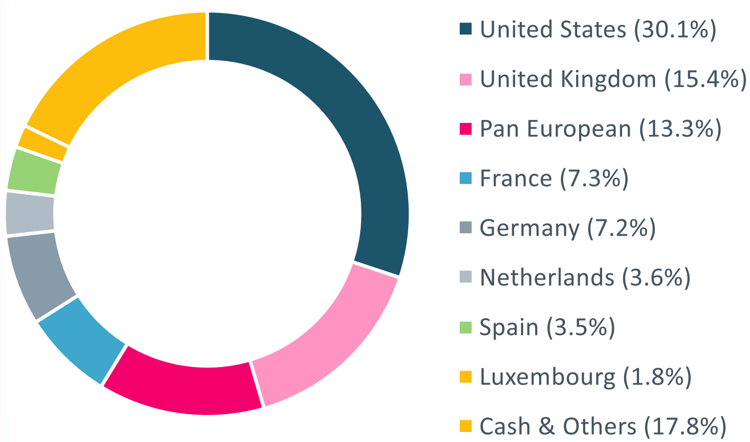
There were no significant changes to the fund's holdings over the quarter. The manager added to the portfolio with a number of European loans, which they still prefer over US loans.

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

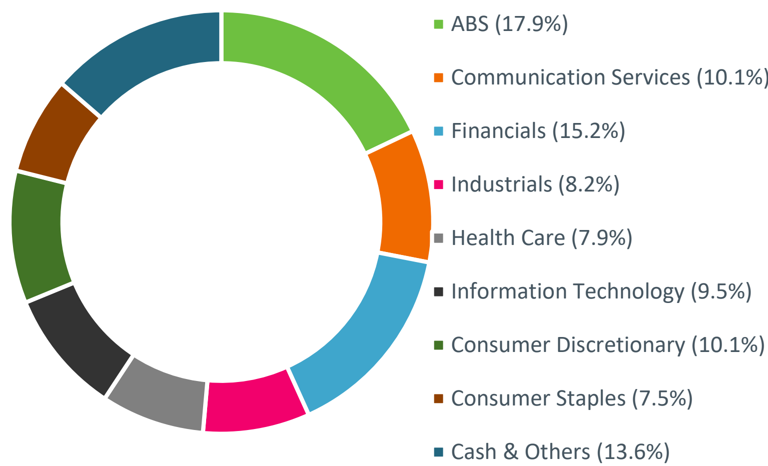
Fund performance vs benchmark



Country Weights



Sector Weights



Source: Investment Manager

BlackRock UK Gilts

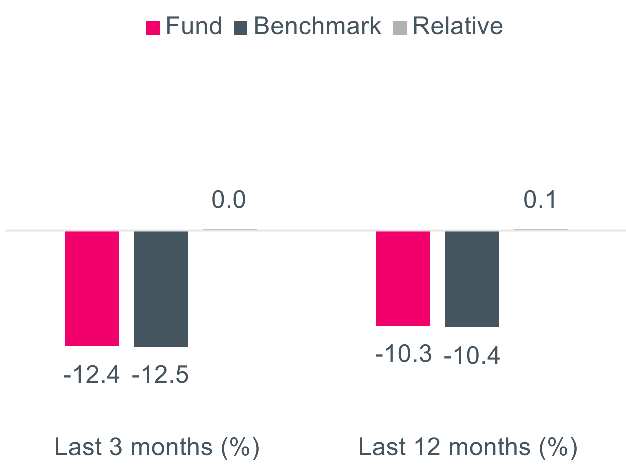
BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

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

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

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

Fund performance vs benchmark



Source: Investment Manager

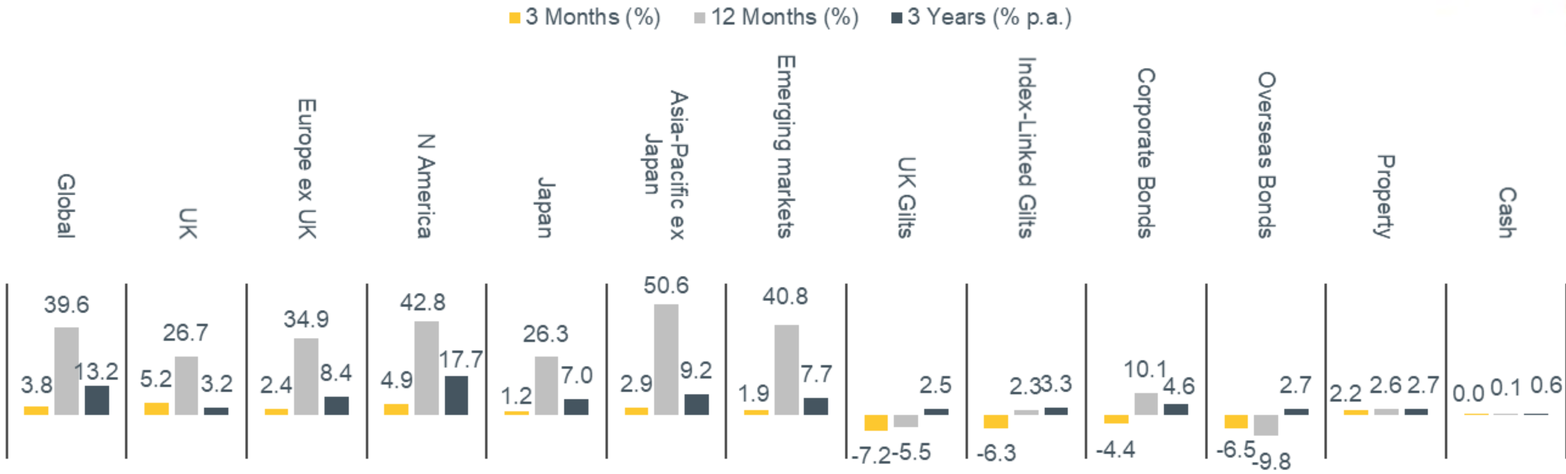
Market Background

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

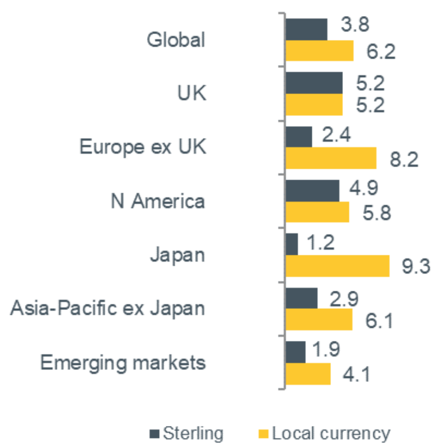
Global equity markets gained 6.2% during the quarter. The improving economic outlook was supportive for more cyclical sectors with energy, financials, basic materials, and industrials the top performing sectors year-to-date, in that order.

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

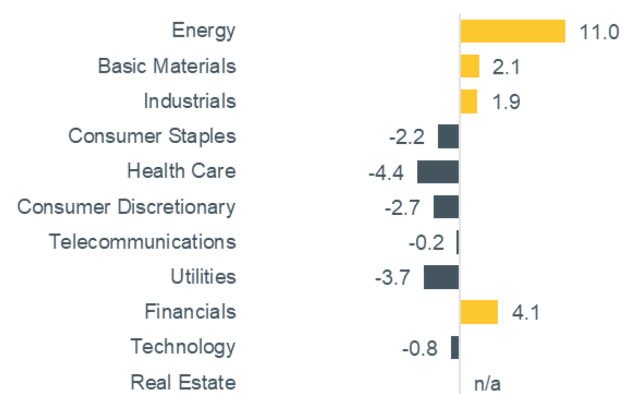
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



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

HYMANS ROBERTSON

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

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

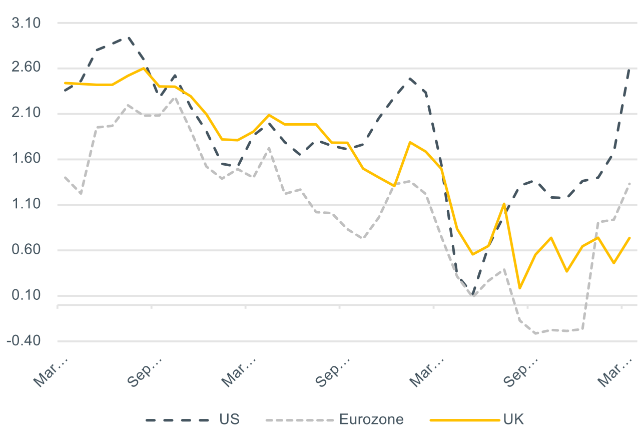
Rising sovereign bond yields weighed on total returns in fixed interest credit markets, which are negative year-to-date for investment-grade markets. Global investment-grade spreads fell 0.1% p.a. to 1.0% p.a. and speculative-grade spreads fell 0.4% p.a. to 3.7% p.a.

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

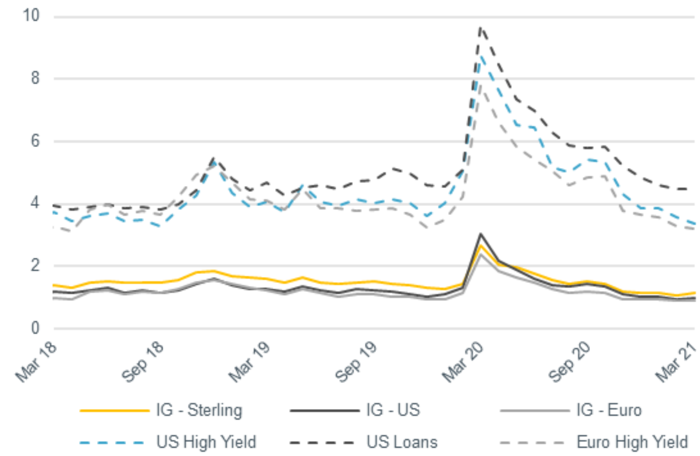
Despite slipping towards the end of the period, oil prices rose 22.4% in the first quarter to $64 per barrel, while the dollar spot price of gold slipped 10.2% as bond yields rose.

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

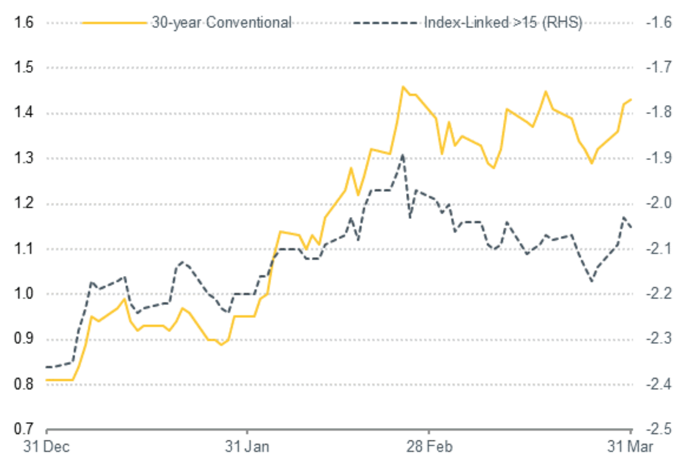
Annual CPI Inflation (% p.a.)



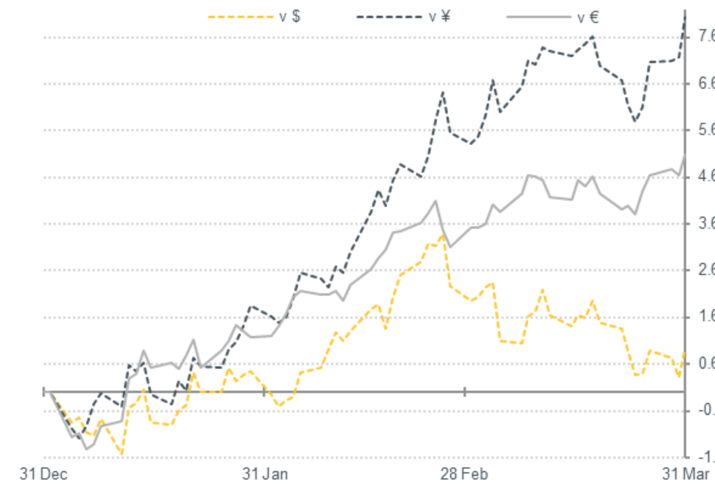
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: DataStream, Barings and ICE

Hymans Rating

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

Responsible Investment

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

Risk Warning

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

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

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Geometric v Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

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

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

Funding issues update June 2021

Summary

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

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

Purpose and Scope

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

A. an introduction to funding and some history of how the funding plan has evolved in the Fund;

B. important funding issues which have arisen since the formal valuation, such as COVID-19, legislative changes, and GAD Section 13 "like for like" analysis of the LGPS;

C. some key funding topics for the Committee to be aware of in the remainder of the Fund year 2021/22, such as climate risk, the national Cost Management process, and planning for the 2022 valuation.

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

A. An introduction to pension scheme funding

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

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

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

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

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

Employer contribution rates

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

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

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

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

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

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

How the Funding Strategy has evolved

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

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

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

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

General approach for non-Council employers
Contributions for this group are set such that:

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

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

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

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

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

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

Recent employer funding issues

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

The actuarial valuation report including R&A is available [on the Fund's website here: https://www.brent.gov.uk/media/16416178/200326-lb-brent-2019-actuarial-valuation-report-final.pdf].

B. Hot topics in LGPS funding

Impact of Covid-19

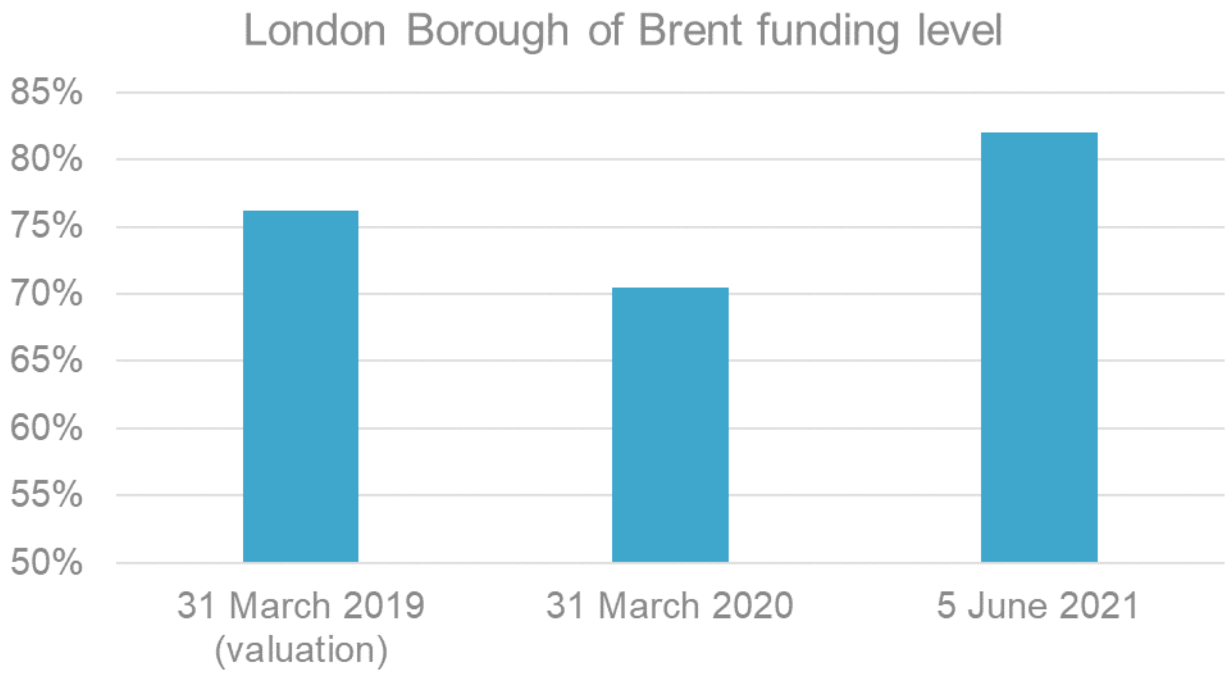
In general terms, the COVID-19 pandemic and lockdown has affected funding in three material ways:

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

Market fluctuations

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

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



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

Employer covenant risk

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

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

Potential life expectancy changes

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

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

(a) the impact of COVID-19 causes a long-term slowdown in life expectancy improvements (or even a reversal) as a result of the virus continuing to circulate and other long-term health impacts (for example, long COVID or delayed hospital treatment).

(b) life expectancy will improve more quickly as a result of, for example, improved hygiene measures or the health benefits from more flexible working patterns.

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

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

Recent legislation on employer flexibilities and exit credits

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

Exit credits

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

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

Employer flexibilities

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

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

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

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

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

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

Early retirement factors

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

The £95,000 cap

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

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

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

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

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

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

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

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

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

Considering climate change risk as part of setting the funding strategy

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

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

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

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

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

The national Cost Management process

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

The intention of the process is that:

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

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

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

a) the value is deemed to have materially risen, so member benefits will reduce and/or employee contributions increase, which (all other things being equal) will cause a decrease in employer contributions;

b) the value is deemed to have remained broadly unchanged, so there will be no change to the benefit structure or contributions by employees or employers;

c) the value is deemed to have materially fallen, so member benefits will increase and/or employee contributions reduce, which (all other things being equal) will cause an increase in employer contributions.

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

Planning for the 2022 actuarial valuation

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

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

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

Reliances and limitations

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

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

Prepared by:-

Peter MacRae

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

Glossary

Actuarial Valuation	A risk management exercise to review the **Primary** and **Secondary contribution rates**, and other statutory information. This is carried out for the whole Fund, and for each individual **Employer** too.
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 (such as charities or housing associations) or Transferee Admission Bodies (i.e. contractors where a **Letting Employer** outsources some services).
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 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.
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).
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**.
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.

Brent	**Pensions Fund Sub-Committee** 24 June 2021 **Pension Board** 22 July 2021
	Report from the Director of Finance

Brent Pension Fund: Draft Annual Accounts 2020/21

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two Appendix 1: Brent Pension Fund Draft Accounts 2020/21 Appendix 2: Draft Investment Strategy Statement: June 2021
Background Papers:	N/A
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1.0 Purpose of the Report

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

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report.

3.0 Detail

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

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

3.3 The main items to note are as follows:

- During 2020/21, the value of the Pension Fund's investments has increased to £1,032m (2019/20 £835m). This is largely due to the bounce back in markets which has followed the steep falls seen at the start of the COVID-19 pandemic, as well as strong performance from the Fund's investment managers.
- Total contributions received from employers and employees were £61m for the year, an increase on the previous year's £60m.
- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £42m, a decrease on the previous year's £48m.
- As in 2019/20, the Council is in a positive cash-flow position because its contributions exceed its outgoings to members.

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

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

4.0 Financial Implications

4.1 Not applicable.

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

<u>Report sign off:</u>
Minesh Patel
Director of Finance
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Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2021

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

Net Assets Statement

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

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

Notes to the Brent Pension Fund accounts

1. Description of Fund

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

a) General

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

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.
Organisations participating in the Brent Pension Fund include:
Scheduled bodies whose staff are automatically entitled to be members of the Fund. Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

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

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

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

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

31 March 2020	Brent Pension Fund	31 March 2021
40	Number of employers with active members	41
	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	
7,928	Brent Council	8,035
1,151	Other employers	1,438
9,079	Total	9,473

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

c) Funding

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

d) Benefits

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

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

2. *Basis of preparation*

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

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

3. *Summary of significant accounting policies*

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

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

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

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

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment management expenses

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

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

Net Assets Statement

h) Financial assets

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

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

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is

determined as follows:

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

iv) Limited partnerships

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

v) Pooled investment vehicles

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

i) Contingent Assets

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

j) Foreign currency transactions

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

k) Derivatives

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

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

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

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

o) Additional voluntary contributions

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

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

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

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

Pension fund liability

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present .value of promised retirement benefits (Note 19)	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	Due to the uncertainties in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation	There is a risk that this investment may be under- or overstated in the accounts. The Fund's investment advisors estimate this

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

6. Events after the Reporting Date

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

7. Contributions receivable

By category

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

By authority

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

8. Transfers in from other pension funds

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

9. Benefits payable

By category

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

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

a) Investment management expenses

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability {see Appendix A, paragraph AG13 of IAS 39}. An incremental cost is one that would not have been incurred if the authority had not acquired, issued or disposed of the financial instrument.

12. Investment income

	2019/20 £m	2020/21 £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. Taxes on income

	2019/20 £m	2020/21 £m
Withholding tax	0.0	0.0
Total	**0.0**	**0.0**

14. 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**

14a) Investments 20/21

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

Investments 19/20

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

14b) 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**

14c) Investments analysed by fund manager

Market value

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

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

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

d) Stock lending

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

15a. Valuation of financial instruments carried at fair value

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

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

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

Sensitivity of assets valued at Level 3

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

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

15b. Fair value hierarchy

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

Level 1

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

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

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

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

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

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

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

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

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

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

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

15c. Transfers between Levels 1 and 2

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

15d. Reconciliation of Fair Value Measurements within Level 3

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

16. Classification of financial instruments

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

Fair value through profit and loss	31 March 2020 Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	31 March 2021 Loans and receivables	Financial liabilities at amortised cost
£m	**£m**	**£m**		**£m**	**£m**	**£m**
			Financial assets			
697.0			Pooled investments	897.4		
0.1			Pooled property investments	0.0		
84.3			Private equity/infrastructure	81.1		
	53.9		Cash		53.8	
	4.0		Debtors		1.5	
781.4	**57.9**	**0.0**	**Total Financial assets**	**978.5**	**55.3**	**0.0**
			Financial liabilities			
		(0.4)	Creditors			(3.1)
0	**0**	**(0.4)**	**Total Financial liabilities**	**0**	**0**	**(3.1)**
781.4	**57.9**	**(0.4)**	**Net Financial assets**	**978.5**	**55.3**	**(3.1)**

a) Net gains and losses on financial instruments

31 March 2020		31 March 2021
£m		**£m**
	Financial assets	
(34.1)	Fair value through profit and loss	176.1
61.7	**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.

17. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

a) Market risk

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

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

Other price risk – sensitivity analysis

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**	**1,133.3**	**823.7**

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**	**(1.0)**

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)**

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

b) Credit risk

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

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

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

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

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

c) Liquidity risk

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

The Pension Fund has immediate access to its cash holdings.

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

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

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

Liquidity Risk

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

d) Refinancing risk

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

18. Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

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

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

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

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

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

Mortality assumptions

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

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

Commutation assumption

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

19. Actuarial present value of promised retirement benefits

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

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

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

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

Financial assumptions

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

Longevity assumption

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

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

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

Sensitivity Analysis

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

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

20. Assets

a) Current assets

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

21. Current liabilities

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

Analysis of creditors

	31 March 2020	31 March 2021
	£m	**£m**
Central government bodies	0.0	0.0
Other entities and individuals	0.4	3.1
Total	**0.4**	**3.1**

22. Additional voluntary contributions

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

Equitable Life	0.2	0.2
Prudential	0.3	0.3
	1.8	**1.8**

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

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

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

23. Related party transactions

Brent Council

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

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

Governance

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

Key management personnel

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

	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**

24. Contingent liabilities

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

	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	**75.9**	**58.3**

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

25. Contingent Assets

Contingent assets

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

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

26. Impairment Losses

The Fund had no impairment losses at 31 March 2021.

Investment Strategy Statement: June 2021

Introduction and background

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

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

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

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

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

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

The suitability of particular investments and types of investments

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

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

The Fund has the following funding principles:

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

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

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

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

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

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

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

Strategic allocation

The Fund's current assets include:

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

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

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

The Fund's long-term strategic target investment allocation is set out in Table 1 below and includes the associated maximum percentage limits for each asset class associated with the long-term strategic targets. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

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

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

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

Table 1: Fund allocation

Asset class	Interim Target allocation %	Long-Term Target allocation %	Upper limit for rebalancing %
UK equities	53	50	65
Overseas equities			
Private Equity	5	-	7.5
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**	**-**

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 in anticipation of its longer-term reduction in size.

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

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

Restrictions on investment

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

Table 2: Investment Restrictions

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

Managers

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

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

Risk Measurement and Management

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

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

Funding risks

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

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

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

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

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

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

Asset risks

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

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

The Committee measure and manage asset risks as follows.

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

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

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

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

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

Other provider risk

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

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

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

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

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

Assets to be invested in the pool

The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 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. There 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.

Brent	**Pensions Fund Sub-Committee** 24 June 2021 **Pension Board** 22 July 2021
	Report from the Director of Finance

Actuarial Services Procurement

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

1.0 Purpose of the Report

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

2.0 Recommendation(s)

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

3.0 Detail

3.1 In order for Brent to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS) regulations, the Council must appoint a fund actuary for the pension fund.

3.2 Actuarial services include the provision of a number of key technical services for the fund including: the triennial valuation of the fund; the calculation of employer contribution rates; carrying out opening valuations for new scheme employers; closing valuations for exiting scheme employers; and ad-hoc advice and guidance.

3.3 Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires a triennial valuation to be carried out be an actuary as at 31st March 2016 and every third year afterwards.

3.4 The incumbent provider is Hymans Robertson LLP. The current contract for actuarial services with Hymans Robertson LLP began in October 2017 expires on 30 September 2021.

3.5 Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. It is intended to conduct this procurement using one of the Local Government Frameworks for actuarial services. The benefits of using a Framework agreement are that the Council can reduce procurement time and costs because the framework has already been through a competitive tender and OJEU compliant procurement process.

3.6 Frameworks increase transparency when it comes to fees, and comparability between firms. Officers therefore feel that the use of the framework presents best value for the fund. It was therefore thought best to use a framework agreement to conduct the procurement exercise.

3.7 For example, National LGPS Frameworks, managed by Norfolk County Council, is one such framework available for use by LGPS funds. There are 4 providers of Actuarial Services on this framework: Aon, Barnett Waddingham, Hymans Robertson and Mercer. Finance will consult with Procurement on the appropriate process however framework option has not been finalised.

3.8 All costs of the contract will be met fully by the pension fund and there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as actuarial fees. Where bespoke advice is requested by fund employers, the relevant costs are charged back to the employer by the Fund.

4.0 Financial Implications

4.1 The Council must appoint an actuary as this is a regulatory requirement.

4.2 The estimated cost of the contract will be approximately £115k per annum. This estimate is based current costs. The exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.

5.0 Legal Implications

5.1 Not applicable

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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Brent	**Pensions Fund Sub-Committee** 24 June 2021
	Report from the Director of Finance
LAPFF Engagement Report	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	OPEN
No. of Appendices:	1. LAPPF Engagement Report Q1 2021
Background Papers:	▪ N/A
Contact Officer(s): (Name, Title, Contact Details)	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

1.0 Purpose of the Report

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

2.0 Recommendation

2.1 The Committee is recommended to note this report.

3.0 Background of LAPFF

3.1 LAPFF (the Local Authority Pension Fund Forum) has 82 members, 7 pools and combined assets of £300bn. With investments widespread in many of the sectors, LAPFFs aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

3.2 Leading the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.

3.3 In October 2019, the Pension Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

4.0 Engagement Report

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

Engagement Conducted by LAPFF

4.2 Over the last quarter, LAPFF have engaged with National Grid regarding Climate Change in particular. Within the Climate Action 100+ initiative, National Grid has come to be identified as a 'leader' in many respects, not least due to its ambition to operate a zero-carbon electricity system in the UK by 2025 and for the entire company to be net zero by 2050. In engaging, LAPFF have continued to push on the long-term objective for the company to set targets for its scope 3 emissions and for it to identify a 1.5 degree scenario for the business. For National Grid, the biggest challenge for scope 3 emissions comes from the US electricity and gas distribution businesses and from the carbon-intensity of heat in UK homes. In October 2020, the company announced scope 3 carbon emission reduction targets for the electricity and gas sold to customers of 20% reduction by 2030. This was welcome, and LAPFF will look to continue engagement and take further action where National Grid can better align the company with a 1.5 degree pathway.

4.3 The LAPFF chair engaged with HSBC on the group's approach to climate change, with a particular focus on the insurance side of the business, raising concerns over the lack of clarity on climate and business strategy. Following a resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.

4.4 LAPFF has been engaging with Vale and BHP for around two years now in relation to both the Samarco and Brumadinho dam collapses. Samarco is a particular concern in relation to the time it is taking to make appropriate reparations. LAPFF will continue to engage with BHP, Vale and the affected communities in the hopes of speeding up reparations. It will check in monthly with the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these types of disasters.

4.5 In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell's supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again. After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell's business operations, to ensure that all food parcels were of adequate standard. Compass also publicly made a commitment that free breakfast was going to be included in the food parcels for every child eligible for free school meals from the 25th of January, as a gesture of goodwill.

4.6 During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction. Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030. LAPFF is monitoring the company response to the shareholder resolution and will issue guidance to members in due course.

4.7 The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal. GM stated that it was aiming for an all-electric future, was aiming for carbon neutrality, and was working with the Science-Based Taskforce Initiative on this aim. Two weeks after the engagement GM formally announced its plans for carbon neutrality by 2040 in products and operations and its aspiration to eliminate tailpipe emission for light-duty vehicles by 2035. The meeting also covered the level of investment in carbon reduction methods relative to other carmakers in electric vehicles and when price parity between electric and internal combustion engine vehicles would be achieved. At both meetings, the just transition to net zero was discussed. This discussion included assurances from both companies about how they were seeking to support their workforce and ensure high standards within their supply chain, including the human rights of miners in Congo.

5.0 Financial Implications

5.1 Not applicable.

6.0 Legal Implications

6.1 Not applicable.

7.0 Equality Implications

7.1 Not applicable.

8.0 Consultation with Ward Members and Stakeholders

8.1 Not applicable.

9.0 Human Resources

9.1 Not applicable.

<u>Report sign off:</u>

Minesh Patel
Director of Finance

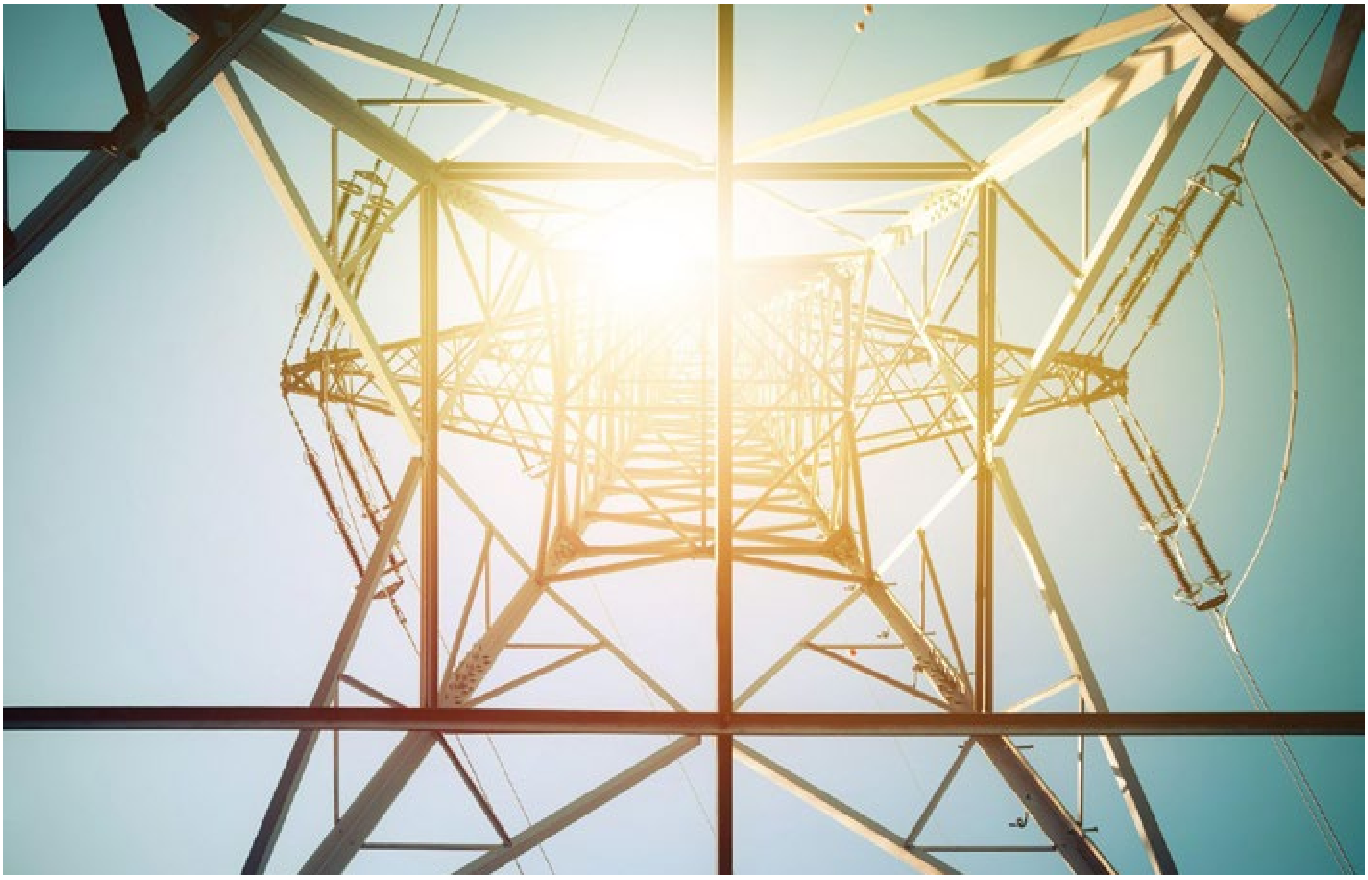
Quarterly Engagement Report

January-March 2021

Local Authority Pension Fund Forum

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

CLIMATE EMERGENCY



National Grid Commits to Vote on Climate

Objective: LAPFF has promoted a 'Say on Climate' at the National Grid AGM as a crucial mechanism for investors to be able to approve (or otherwise) the company's net zero transition plans, preferably on an annual basis.
Achieved: Following a series of meetings held with the chair, the board announced in March that an advisory vote would be provided for shareholders at the 2021 AGM to put the company's climate change-related targets and action plan to the 2022 AGM for review and approval.
In Progress: Within the Climate Action 100+ (CA100+) investor initiative, National Grid has come to be identified as a 'leader' in many respects, not least due to its ambition to operate a zero-carbon electricity system in the UK by 2025 and for the entire company to be net zero by 2050. In engaging we have continued to push on the long-term objective for the company to set targets for its scope 3 emissions and for it to identify a 1.5 degree scenario for the business. For National Grid, the biggest challenge for scope 3 emissions comes from the US electricity and gas distribution businesses and from the carbon-intensity of heat in UK homes. In October 2020, the company announced scope 3 carbon emission reduction targets for the electricity and gas sold to customers of 20% reduction by 2030. This was welcome, and was a target aligned with the Science Based Targets Initiative's two degrees pathway. CA100+ has issued its benchmarking analysis for National Grid, and engagement will pick up on those areas where further action can better align the company with a 1.5 degree pathway.

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

Cllr Rob Chapman, LAPFF vice-chair

Heidelberg Cement Commits to Review of Lobbying Activity

Objective: An 'explicit and decisive' response was sought from Heidelberg Cement to towards complying with investor expectations relating to corporate climate lobbying.
Achieved: A collaborative letter, under the auspices of the CA100+ initiative, set out a request for public disclosure of a comprehensive corporate lobbying review to assess the alignment of lobbying activities with the Paris Goals, and to set out what steps the Company intends to take in the event of areas identified in misalignment. After a call from lead investors, a response was forthcoming. The company noted it has pushed its associations to take a pro-active stance towards industry transformation in alignment with the Paris agreement and that these actions had already changed the stance of key organisations leading to the publication of carbon-neutrality roadmaps by them.
In Progress: The company has fully committed to a review to be published before the 2021 AGM.

CLIMATE EMERGENCY

HSBC Resolution Pulled after Shareholder Requests Met

Objective: A shareholder resolution was filed for the 2021 HSBC AGM asking for publication of a strategy, with short, medium and long-term targets, to reduce the company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris agreement.
Achieved: The LAPFF chair engaged with HSBC in July 2020 on the group's approach to climate change, with a particular focus on the insurance side of the business, raising concerns over the lack of clarity on climate and business strategy. Following the resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.
In Progress: Commitments made by the company are set out in a special resolution tabled by the bank for its 2021 AGM. The bank has committed to publishing a new coal policy by the end of 2021.

New LAPFF Monitoring Pledge on Samarco Dam Collapse

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

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

Given these obstacles and delays, LAPFF's primary objective is to put pressure on BHP, Vale, and Renova to speed up the reparations process. A corollary of this objective has been to determine what the specific community asks of the companies and of Renova are.
Achieved: While BHP Chair, Ken MacKenzie, does not appear to be eager to engage, Cllr McMurdo had another useful meeting with Sandra Guerra, a non-executive director at Vale. He also met with Renova Foundation's CEO, Andre de Freitas. Neither Ms. Guerra nor Mr. de Freitas is happy with the slow pace of reparations, but they both pointed to obstacles they believe have prevented a faster process.

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

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

in both meetings that notwithstanding the obstacles articulated, both Vale and Renova, along with BHP, must find a way to speed up the reparations process. LAPFF therefore expressed its intention to all three parties to post monthly on the LAPFF website the number of houses that have been re-built. It is hoped that all houses will be re-built by 5 November, the next anniversary of the Samarco dam collapse. This first post on the LAPFF website will take place in early April.
In Progress: LAPFF will continue to engage with BHP, Vale, the Renova Foundation, and affected communities in the hopes of speeding up reparations. It will check in monthly with Renova and the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these disasters rather than scrambling to make reparations, where these are even possible, after the fact.

Resolution Copper Developments on Hold

Objective: LAPFF has been engaging with BHP and Rio Tinto on the joint venture, Resolution Copper, to ensure that the project is being undertaken responsibly. Concerns have been raised about the type of engagement the companies have had with communities affected by the project. In particular, the San Carlos Apache Tribe in Arizona has objected to the project, claiming that the proposed copper mine would destroy one of the tribe's sacred sites. Other groups have expressed concerns that Resolution Copper and Rio Tinto – the operating partner in Resolution Copper – have not taken adequate steps to protect natural resources, such as water, affecting surrounding communities. Therefore, meaningful community engagement and protection of natural resources, including water, are the two overarching objectives of this engagement.
Achieved: For Resolution Copper to move forward, the US Forest Service must issue an impact assessment that allows for a land swap from the federal government to Rio Tinto. In the final days of the Trump Administration, this impact assessment was issued, and it was assumed that the land swap would follow within 60 days, as prescribed by the law governing the exchange. LAPFF spoke with representatives of Resolution Copper and Rio Tinto, including a representative of the Hopi tribe which, along with the San Carlos Apache, is affected by the Resolution Copper project to obtain the companies' view of the project. LAPFF also reviewed the Forest Service impact assessment.

What emerged from this research was that there were huge gaps in the information provided by the Forest Service impact assessment. Neither the Resolution Copper nor Rio Tinto representatives have provided LAPFF with impact assessments of the mine itself, despite repeated requests to both parties for this information. They only provided 36 cultural impact assessments pertaining to the land surrounding the mine. The Forest Service impact assessment also refused to assess the mine's impact on the grounds that it would soon be private land and therefore not within the purview of its analysis. This assessment was issued notwithstanding the fact that the lands are still public and there is some question about the legality of transferring them to a private actor. In LAPFF's view, the quality of this assessment was also extremely poor overall. Among other deficiencies, it failed to address water supply issues for the surrounding communities in any useful way.

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

Top: Sunrise Dance on the San Carlos Indian Reservation Arizona

Above: Roy Chavez, a resident of Superior, Arizona, and former miner, shows a model detailing the subsidence that can occur from the block cave mining method at the Oak Flat Campground, which Chavez and others believe will be destroyed by eventual cave-in from the Resolution Copper mine.
Picture taken June 13, 2017

COMPANY ENGAGEMENT

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

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

Just after the Biden Administration took office, LAPFF received notification from a community representative that the US Forest Service impact assessment had been rescinded and that consequently the land swap would be postponed. The US Forest Service will issue a new impact assessment, presumably to help address some of the shortcomings of the rescinded assessment. The time frame for the new Forest Service assessment and land swap is not clear at this point.
In Progress: LAPFF has made clear to both BHP and Rio Tinto that there cannot be another Juukan Gorge (the event in Western Australia where Rio Tinto blew up two culturally significant caves against the will of the affected Aboriginal community). LAPFF has also made clear that it makes no sense for the land swap to proceed unless there is clear evidence of Resolution Copper's viability. There are continuing discussions with both BHP and Rio Tinto on these issues. LAPFF continues to be open to discussion with a San Carlos Apache representative who has been invited to discuss the issue with Cllr McMurdo. It is also hoped that with Ms. Haaland's confirmation, she might meet with Cllr McMurdo to share her thoughts on the project.

Compass Group Food Parcels Questioned

Objective: In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell's supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again.
Achieved: After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell's business operations, to ensure that all food parcels were of adequate standard. Compass also publicly made a commitment that free breakfast was going to be included in the food parcels for every child eligible for free school meals from the 25th of January, as a gesture of goodwill.
In Progress: The Forum has since reached out to Compass Group to discuss the company's governance as a whole during the pandemic and met with the company's Investor Relations representatives on the 31st of March.

Amazon Investor Letter Questions Company's Trade Union Practices

Objective: LAPFF signed onto a letter coordinated by Folksam and Ohman to ensure that Amazon is respecting workers' rights to free association and collective bargaining at the company's facility in Bessemer, Alabama in the US. The request includes reassurance that a free and fair union election will take place at the facility.
Achieved: There are now investors with just over US$7.1 trillion in support of this initiative. To date, Amazon has responded in letter form that it has appropriate human rights and labour standards in place. The company stated that it respects trade union rights and has good relationships with its employees. However, the investors in this collaborative engagement have not been satisfied with the company's response. This is in part due to reports that Amazon has hired a consulting company to obstruct trade union activities.
In Progress: There has been a follow up letter sent requesting a meeting with Amazon to discuss this issue further. The investors are awaiting a response from the company.

COMPANY ENGAGEMENT

LAPFF Challenges Shell on Climate Transition Plan

Objective: LAPFF continues to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. The Forum is very keen to continue the collaboration with other investors, and make sure that investors collectively communicate a consistent and robust case to ensure all aspects of the company's financial outcomes and performance are understood fully.
Achieved: Last year, 2020, LAPFF recommended voting for a shareholder resolution at the Shell AGM that requested specific targets for Shell's claimed climate change ambitions. However, on 11 February 2021 Shell published goals that are ambiguous. For example, it claims to remove 120 million tonnes of carbon dioxide by introducing nature-based solutions (trees) by 2030. Achieving that target would require a mature forest the size of Washington State, which is difficult to envisage. In addition, Shell claims to want to remove 25 million tonnes of carbon dioxide by carbon capture and storage (CCS) by 2035. This has not been detailed or scheduled in any other material. The claim represents ten times the largest existing CCS project – Gorgon Project (Shell 25 percent, Chevron 75 percent) and this project in Australia continues to experience problems. Shell's announcement includes increasing liquid natural gas output by 20 percent by 2030 and only plans for a 17 percent reduction in oil extraction, compared to BPs 40 percent.
In Progress: Shell has proposed a non-binding shareholder resolution on its climate change plans. The LAPFF position will be guided by research and further engagement. At present, it is considered much more detail and evidence is required before any conclusions can be drawn about what vote is advisable.

Israeli-Palestinian Letters

Objective: The Israeli-Palestinian Territories have long been fraught with controversy. In February 2020, the Office of the United Nations High Commissioner for Human Rights published a list of 112 business entities that it had identified as having business activities related to settlements in these territories. The Forum has been monitoring the ongoing situation in the territories and reached out reached out to 16 companies in which a number of member funds hold to seek an engagement meeting. The aim of these engagement letters was to ascertain whether these companies had undertaken human rights impact assessments on their operations and if not, ask them to do so.
Achieved: Out of the 16 companies, LAPFF had one engagement meeting in the third quarter of 2020 with Altice Europe N.V and received a number of responses from other companies. As a general blanket response from those whom responded in only written form, companies considered that they were acting in accordance with local law by not discriminating against any residents of the territories in which they were operating. These companies were concerned that simply operating in these areas was justification enough for them to be included on what many observers have dubbed a 'blacklist' from the UN.
In Progress: The Forum reached out to the UN OHCHR, seeking a meeting to engage on a couple of aspects of the UN list: (1) the methodology used when deciding what companies would be included on the their list; and (2) what the UN considers companies have to do or provide for them to be removed from the list. This meeting took place at the end of March. The Forum has also been investigating models for a human rights impact assessments as a baseline to provide companies with in what the Forum might expect them to be undertaking.

Suzano and CA100+

Objective: Suzano, the Brazilian-based pulp and paper company, has been identified by CA100+ as critical to the net-zero energy transition. As one of two lead investors, LAPFF has been engaging with the company over the last 18 months, pushing it to take action to reduce greenhouse gas emissions, improve disclosures, and implement a strong governance framework from which company decision making can be made accountable. In January, LAPFF met with the company to encourage a response to the CA100+ net zero company benchmark. The benchmark will enable comparative assessment of the world's key emitters and the extent to which businesses have aligned with a 1.5 degree global temperature rise.
Achieved: Since LAPFF began engaging with Suzano 18 months ago the company has set a target to reduce emissions intensity of scope 1 & 2 emissions by 15% by 2030. The company has also set a goal of removing an additional 40 million tons of carbon from the atmosphere by 2030, this on top of the already established target of carbon neutrality. Suzano has a forest base of approximately 2.2 million hectares and therefore the degree to which carbon can be sequestered naturally is significant. The company recognises the contribution its natural asset base can make to global net-zero efforts which is reflected in its carbon-negative ambition. In terms of disclosure, the company submitted a response to the CA100+ global benchmark during January 2021. After the data has been collated, LAPFF will be able to identify areas of the Suzano's carbon reduction strategy in which it is excelling as well as those areas improvements are required.
In Progress: LAPFF will continue to focus on the company's carbon reduction strategy with a focus on setting more ambitious scope 1 & 2 emission reduction targets. It is important that Suzano's natural offsetting capability is not used as a distraction from reducing its operational emissions. There is a finite carbon budget available all of which will be required to support industry in sectors that are harder to abate.

Tesco and Nutrition

Objective: During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction.
Achieved: Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and

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non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030.
In Progress: LAPFF is monitoring the company response to the shareholder resolution and will issue guidance to members in due course.

Volkswagen and General Motors on Electric Vehicles and Climate Change

Objective: Vehicle emissions are a major contributor to carbon emissions. As a result, carmakers are facing tightening regulatory environments. Rapidly changing emissions standards present financial risks to those carmakers not seeking to move to electric vehicle production. LAPFF has sought to engage with the auto industry to ascertain how car makers will be approaching the challenges of electrifying their fleets, to push for net zero commitments, and to ensure that plans would support a just transition to net zero.
Achieved: The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal.

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

At both meetings, the just transition to net zero was discussed. This discussion included assurances from both companies about how they were seeking to support their workforce and ensure high standards within their supply chain, including the human rights of miners in the Congo.
In Progress: LAPFF hopes that manufacturers that haven't already set science-based targets for their scope 3 emissions will do so imminently and also expects investee companies to ensure that they are sufficiently capable of electrifying their fleets. The Forum intends to continue engagements with carmakers to ensure that they are meeting their targets and that short-term emission reductions are being achieved.This goal is especially important given the rise in the sales of larger vehicles which in some cases is offsetting gains from greater fuel efficiency and increased electric vehicle sales.

Lithium Ion Battery for Chevrolet Volt Electric Car

AngloAmerican on Climate

Objective: LAPFF wrote to AngloAmerican in November 2020 as part of a collaborative initiative coordinated by Sarasin and Partners, underscoring the vital role of accounting and audit in driving the net-zero transition. An Investor Expectation document provided guidance for ensuring material climate risks associated with the transition to a 2050 net zero pathway are fully incorporated into the financial statements. The letter asked that the guide be shared with all members of the Audit Committee as well as the auditor, from whom independent assurance on Paris-alignment is also being sought.
Achieved: One of the best responses received to date to a total of 36 letters sent to European companies in the energy, transportation and materials sectors was from the Audit Committee Chair who clearly understands what was asked for and addresses it directly. He stated that the company has undertaken a review of climate risks in its financial statements and will publish the results in the forthcoming Annual Report and Accounts. The committee chair referred to specific risk areas including valuation of assets (i.e. impairment testing) where the committee considers carbon pricing and the impacts for assets and to asset exposure to physical risks – specifically the Chile copper mines to water scarcity – all of which feeds into the viability statement analysis.
In Progress: The audit committee chair has asked that, due to clear parallels, issues raised in this engagement be aligned with CA100+ engagement. LAPFF is also a member of the CA100+ collaborative investor group for Anglo-American.

LAPFF Socio-Economic Diversity Engagement Kicks Off

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

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available to companies is utilised.
Achieved: HM Treasury and BEIS have commissioned an independent taskforce to improve socio-economic diversity at senior levels in financial and professional services across the UK. The taskforce is being run by City of London Corporation with support from Deloitte. LAPFF met with a representative from Deloitte to discuss the taskforce and highlight the role of investors. Alongside this meeting, the Forum also attended the latest meeting of 30% Club investor group.
In Progress: Over the next quarter the Forum will be meeting with companies from the financial services sector, which has a wide gender pay gap, to push for greater diversity. The Forum intends to stay in contact with the socio-economic diversity taskforce.

COLLABORATIVE ENGAGEMENTS

Asset Manager Engagements

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

CCLA and Rathbones Modern Slavery Engagements

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

Webinar on securities lending and responsible investment

Webinar with Colombian Community Representatives Affected by Cerrejon

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

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

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

Cllr Doug McMurdo, LAPFF Chair

IIGCC Shareholder Resolutions Sub-Group meeting

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

IOPA ENGAGEMENT MEETINGS

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

CONSULTATION RESPONSES

LAPFF Just Transition Inquiry

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

EU Human Rights and Environmental Due Diligence Consultation

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

ENGAGEMENT

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

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

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

MEDIA COVERAGE

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

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

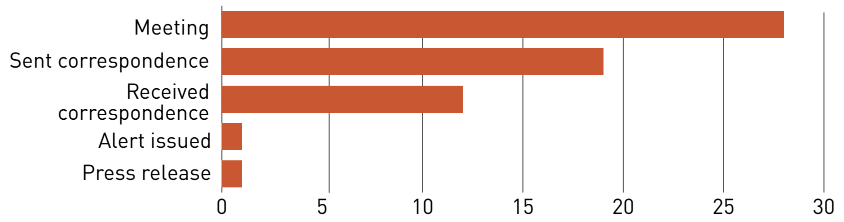
https://www.ft.com/content/30d2fc62-aa44-11e9-984c-fac8325aaa04

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

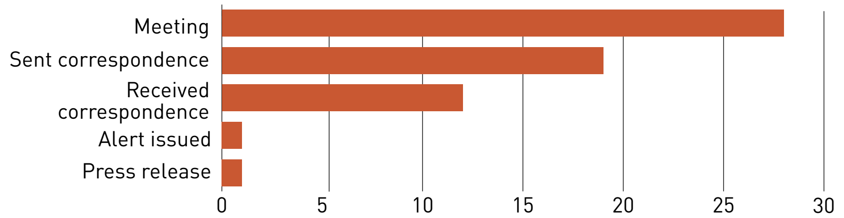
https://www.itv.com/news/2021-03-25/will-deliveroo-stumble-on-its-stock-market-debut

ENGAGEMENT DATA

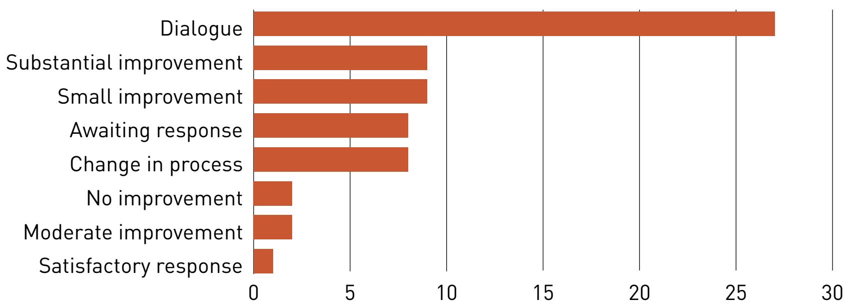
ENGAGEMENT TOPICS



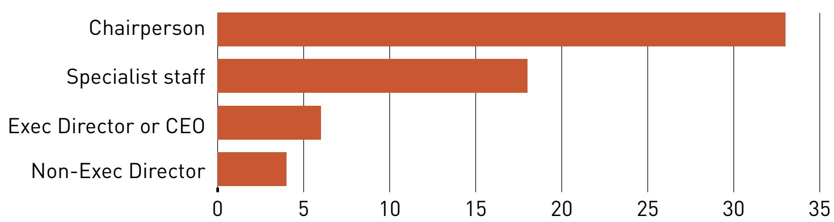
ACTIVITY



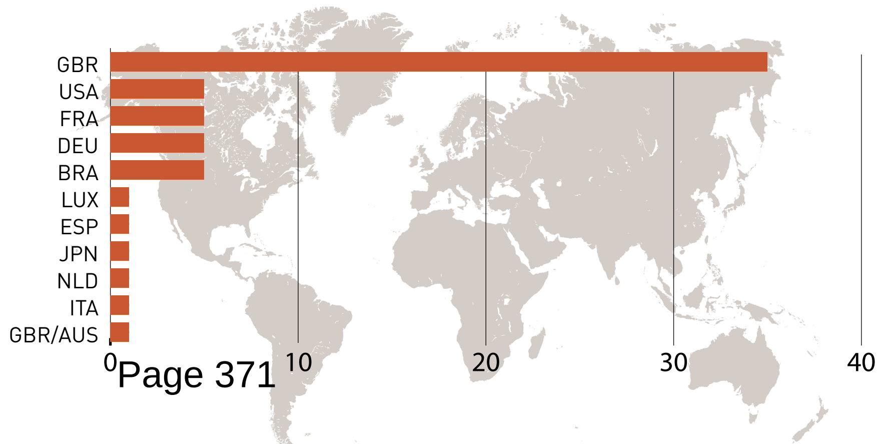
MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



COMPANY DOMICILES



COMPANY PROGRESS REPORT

38 Companies engaged over the quarter

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

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

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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

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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