



Pension Board

Thursday 24 March 2022 at 6.00 pm

This will be held as an online virtual meeting

Membership:

Members

David Ewart

Representing

Independent Chair

Councillor Members

Councillor Crane

Councillor Kabir

Brent Employer representative

Brent Employer representative

Co-opted Members

Bola George

Sunil Gandhi

Chris Bala

Robert Wheeler

Member representative (Unison)

Employer Member (Non-Brent Council)

Pension Scheme Members Representative

GMB Trade Union

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

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www.brent.gov.uk/committees

The press and public are welcome to attend part of this meeting as an 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 or trade union).

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

or

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

- You yourself;

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

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members.

Item	Page
1 Apologies for absence	
2 Declarations of interests	
Members are invited to declare at this stage of the meeting, any relevant personal and prejudicial interests and discloseable pecuniary interests in any matter to be considered at this meeting.	
3 Minutes of the previous meeting	1 - 10
To approve the minutes of the previous meeting, held on 2 November 2021, as a correct record.	
4 Matters arising (if any)	
Board Reports	
5 Pensions Administration Update	11 - 148
To update the Pension Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.	
6 Risk Register	149 - 166
To present the updated Risk Register for the Brent Pension Fund Pensions Administration Service.	
Reports Referred Sub-Committee	
7 London Borough of Brent Pension Fund - Q3 2021 Investment Monitoring Report	167 - 190
To receive the Brent Pension Fund Q3 2021 Investment Monitoring Report.	
8 Net Zero Transition Roadmap Update	191 - 224

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

9 Actuarial Assumptions (Summary) 225 - 230

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

Members are asked to note that as the full report contains exempt information it has been included for consideration in the closed session of the meeting (Agenda Item 17 refers).

10 Pension Fund Annual Report 2020-21 231 - 402

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

11 Procurement of Actuarial, Custodian and Investment Management Consultancy Services 403 - 408

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

12 LAPFF Engagement Report 409 - 424

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

13 Any other urgent business

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

14 Date of Next Meeting

The dates for the programme of meetings in the 2022/23 Municipal Year will be confirmed as part of the Council's Calendar of Meetings.

15 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 12 A 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)”

16 London CIV Update

425 - 528

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

17 Actuarial Assumptions (Full Report)

529 - 572

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

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MINUTES OF THE PENSION BOARD

Held as an online meeting on Thursday 02 November 2021 at 6.00 pm

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

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

1. Apologies for absence

None.

2. Declarations of interests

None.

3. Minutes of the previous meeting – 22 July 2021

The minutes of the previous meeting held on Thursday 22nd July 2021 were agreed as an accurate record.

4. Matters arising

None.

5. Pensions Administration Update

Sawan Shah (Brent Council - Senior Finance Analyst) introduced the report updating the Pension Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

In considering the report, the Board noted:

- The Pension Administration performance update for the period April – June 2021, as detailed within section 3 and Appendix 1 of the report.
- The update provided on Helpdesk call performance. Whilst performance had improved through the quarter the average wait times were above target in April and May, largely due to a significant increase in retirement and bereavement cases resulting in higher call volumes. Performance had improved in June with the Fund working with LPP to review the performance issues experienced in more detail.
- The number of complaints remained low, with a total of six new cases received during the quarter.
- The Pension Regulator scores achieved in regards to the accuracy of common and conditional data held within scheme records. As at June 21 common data had a total accuracy rate of 95.1% (compared to 95.4% in

March 21) whilst conditional data had a rate of 82.5% (compared with 81.7% in March 21) which represented an ongoing improvement.

- In relation to the Annual Benefits Statement, it was noted that this had been issued to all active and deferred members by 31st August 2021. Whilst there had been a small number of records where it had not been possible to resolve queries from year end returns on time resulting in it not being possible to produce an Annual Benefit Statement these cases were being actively monitored by LPP and once resolved An ABS would be issued. The Board recognised the work undertaken by LPP with employers to ensure the necessary year end returns had been submitted along with the project to clear historical unprocessed leavers. Based on the actions being taken no material breach had been identified in relation to the ABS requirements.
- The update provided on the data cleanse project (as detailed within section 5 of the report) relating to outstanding leaver queries. Under Phase 2 of the project out of the 1,385 cases included within the scope 1,033 had been completed with 352 outstanding. This Phase of the project was scheduled to be completed by the end of November 21.
- The updated provided on the Guaranteed Minimum Pensions (GMP) reconciliation project, as detailed in section 6 of the report. Members noted the project had been established to review the final data output from HMRC in relation to the GMP reconciliation process and ensure that appropriate corrective action was taken in relation to active, deferred and pensioner records. The total number of cases within the scope of the project was 1,448 with 1,082 having now been completed.

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

Referring firstly to the Quarterly Administration report, members were advised this covered the period April – June 21, with additional updates provided from Quarter 2 which had not been published with the agenda pack. The Board noted the detailed performance updates provided in relation to Fund Membership and high level of engagement in the Leavers and Data Cleanse projects. In addition a detailed breakdown was provided in relation to casework performance against the Service Level Agreement and overall performance standards along with the ongoing levels of casework at the end of the reporting quarter and in relation to processing of retirement cases.

Moving on to help desk performance, it was noted that the normal help desk provision had been out of service for part of Quarter 1 due to the prioritisation of calls and cases relating to bereavements calls which had resulted in a longer wait time for other queries. The service had subsequently restructured the way calls were dealt with and referred and it was confirmed that the performance had subsequently improved during Quarter 2. The Board noted the ongoing strong performance in relation to customer satisfaction scores relating to both the helpdesk and retirements along with progress in relation to registration for the My Pension Online service which had continued to increase throughout Quarters 1 and 2. Having already noted the updated provided in relation to the accuracy of data held by the Fund John Crowhurst ended his initial update by highlighting the service improvements which had been delivered which included improvements to a number

of web forms and information available on the My Online Pension Portal, introduction of a number of self-service videos, improvements to the triage process for retirement forms and signing up to the Pension Regulator scams pledge. In terms of scheduled improvements these included development of an enhanced member survey and a review of the welcome programme.

Members were then invited to ask questions on the update provided, which are summarised below:

- Further details were sought on the reduction in accuracy of common data identified during the current performance monitoring period. In response members were advised this mainly related to addresses that had not been provided for deferred members with further tracing activity work having been commissioned in an attempt to gather the required data from deferred members.
- Clarification was sought on the reported increase in refunds relating to outstanding cases on which members were advised an update would be provided following further investigation after the meeting.
- In terms of issues being caused in relation to the provision of Annual Benefit Statements as a result of the timeliness of returns being provided by scheme employers further details were sought on what more could be done to address the issue. In response the Board was advised of the important work already being undertaken to engage with scheme employers on this issue involving a three way process between Council Officers, the LPP and scheme employers. Whilst a number of employers had missed the deadline extensive engagement had been undertaken to ensure that all returns were eventually provided with the Board noting the particular challenges faced in some areas as an impact of the pandemic. This activity would continue moving forward with increased importance given the upcoming Fund valuation. Whilst it had not been possible, during the pandemic to offer the usual level of engagement and training activity for scheme employers a programme of more targeted engagement had now been developed focussed around sectors with LPP also providing an engagement officer dedicated to supporting scheme employers within the Fund, and the learning from the last few years having demonstrated that targeted engagement campaigns were crucial in establishing compliance. Members were asked to note that Brent Officers had been invited to be part of a pilot scheme to increase support to employers from the Fund, with a view to having a quicker processing of Annual Benefit Statements in the next calendar year.
- Following on from the previous issue, members were advised that scheme managers did have power to take action against scheme employers who did not comply with their statutory and legal obligations in relation to the Fund. Whilst this power had been included within Brent's Pension Administration Strategy it had not been used (and would only be as a last resort) with a preference for engagement and training to ensure the necessary returns were provided. Members advised that they were supportive of the approach outlined in terms of more targeted support and engagement and were also reassured that no material breaches had needed to be reported to the Pension Regulator having noted the basis of the considerations set out in section 4.7 of the report

- Confirmation was provided regarding engagement with the Brent School Improvements Team in addressing issues with the provision of returns from schools as scheme employers with the main issue identified in relation to their payroll providers, many of which had been outsourced by schools and academies.
- In relation to the data cleanse project, details were sought on the nature of the outstanding cases. In response, confirmation was provided that these were the more complex cases with Phase 2 of the data cleanse project now focussed on clearing these remaining cases, to ensure that the Fund was starting from an even stronger position next year.

John Crowhurst then provided the Board with an update regarding Project PACE. Members were reminded this related to the introduction of a new pension administration system known as Universal Pensions Management (UPM) which would replace the current core five systems through which the various aspect of the Fund were currently administered. Following a procurement process Civica had been selected as the new system supplier for the Fund. The implementation stage of the project was now approaching, with Brent due to go live in the second phase of the project, which would be during September/October 2022. Recognising data migration as a key risk, the Board was advised of the measures introduced to manage the process which included a series of data cuts before the 'go live' date to ensure that data was migrated effectively. In terms of business readiness, it was noted that there would be changes for all stakeholders, and it meant that LPP would be working across two systems temporarily. Work was, however, being prioritised to ensure service delivery issues were mitigated and to review the helpdesk structure as the new Portal was launched.

In terms of issues raised the Board noted the training and engagement being developed for scheme employers on the new system, which it was confirmed would also include payroll providers where that service had been outsourced by scheme employers. The Board noted that regular updates continued to be provided with key activity over the current quarter having been detailed in section 7.2 of the report and the full updated risk log provided by LPP in relation to the project having been attached as Appendix C to the report.

As there were no further questions from Members, the Chair thanked John Crowhurst and officers for the update and it was **RESOLVED** that the report be noted with a further update on progress with Project PACE to be provided for the next meeting.

6. **LGPS Update**

Rubia Jalil (Brent Council - Senior Finance Analyst) presented an update to the Pension Board on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

In considering the report, the Board noted:

- The update issued by the Pensions Regulator in relation to its automatic enrolment guidance.

- The update and advice which had been provided for administering authorities by the Local Government Association (LGA) in September 2021 regarding death grant distribution and the information that would need to be provided to those in receipt or whose rights or liabilities were affected by a decision relating to the payment of grant, as detailed within section 3.2 – 3.7 of the report.
- The update provided in relation to further discussions between the LGPS Scheme Advisory Board and Government regarding the remedy and cost management process arising from the impact of the McCloud case.
- In relation to exit payments, the Board were updated that MHCLG had published a summary of exit payments in July 2021 covering 2019/20 and 2020/21. The results had shown the average exit payment across Local Authorities in 2021 s £26k. The Board also noted proposals currently being consulted upon to increase the minimum pension age from 55 to 57, which would take effect from 2028. This would not include those who were retiring due to ill health, as well as workers in the police, fire service and armed forces.

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

- In response to a request for further details about what had prompted the LGA to seek advice regarding death grant payments members were advised this would need to be shared once clarified.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the report and recent developments in the LGPS.

7. Risk Register

Sawan Shah (Brent Council - Senior Finance Analyst) presented a report updating the Board on the Risk Register for the Brent Pension Fund Pensions Administration Service.

In considering the report, the Board noted that whilst several minor adjustments had been made to the Risk Register since the previous update to ensure accuracy there were no major changes in terms of new risks or changes in classifications to report.

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

- In terms of the move to the new pension administration system clarification was sought on how the issue raised earlier in the meeting relating to data migration had been captured as a risk. In response confirmation was provided that the transfer of the LPP pension administration system had been included within the risk register which included a number of broad risks including the transfer of scheme. In response to the issue highlighted, Members were advised that more specific reference to the data migration process could also be included within the main risk category index.
- In terms of the inclusion of risks related to cyber security, the Board was advised that this had also been included within the risk register with the

highest risk score allocated given the potential impact of any data breach or attack. The Fund was operating under the Council's cyber security strategy which (along with LPPs policy) would be subject to review by the Council's Internal Audit function and which it was noted would be subject to further revision and update towards the end of the year/start of 2022 which had been designed to improve security metrics and prevent cyber-attacks.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the report and Risk Register as set out in Appendix 1 of the report.

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

The Board received the Brent Pension Fund Q2 2021 Investment Monitoring Report. It was reported that the monitoring report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the key issues as set out in the report.

Members welcomed the report along with the increase in the value of the Fund and with no further issues raised it was **RESOLVED** to note the investment monitoring report for Quarter 2 (2021)

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

The Board received the Brent Pension Fund Annual Report and Accounts 2020/21. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the current position and progress made in finalising the Brent Pension Fund Accounts 2020/21 along with the audit findings as set out in the report.

The Board noted that since publication of report the Pension Fund Accounts had been finalised with an unqualified opinion issued by Grant Thornton, as external auditor. The Chair supported by the Board took the opportunity to thank the Finance Team and Grant Thornton for their efforts in completing the Accounts and audit process within deadline, which Brent had been one of the first local authorities to achieve.

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

10. **Property Allocation Report**

The Board received the report providing an overview of the Fund's strategic allocation to property, an introduction to the UK property market and summary of a potential property funds in terms of investment opportunities and option. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who in considering the approach and assessment of potential investment opportunities identified by the Funds Investment Advisors (Hymans Robertson) (as set out within the exempt appendix to the report) had approved the proposed investment strategy set out in the report.

In response to the update provided the following comments and issues were raised by Board Members:

- Details were sought on the overall level of Fund's investment performance and how this compared against the performance of other comparable Funds. In response the Board were advised an overview would be provided within the Fund's Annual Report however it was noted that performance had improved the value of the Fund having increased against the benchmark which had been set and strong rates of return continuing to be delivered. Whilst the performance on some investments remained below target these were in the process of being scaled back with the aim to scale up the proportion of investment held with other providers such as the London CIV and strategic property investments.
- Whilst noting the current lack of property investment options available through the London CIV, the Board were advised this route remained the Funds preferred approach. Given the London CIV pool had not (to date) made property funds available and with no current plans to do so, alternative investment options had therefore needed to be explored. The initial approach identified by Hymans Robertson had therefore been detailed in the report starting with a 3% allocation (approx. £30m in value) which could then be topped up in future years. It was felt this would allow the Fund time to assess performance and allocate future funds to the best opportunities in the property market as they became available.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the overall approach and investment option which had been agreed by the Brent Pension Fund Sub Committee.

11. Net Zero Transition Roadmap

The Board received a report which presented a detailed framework setting out the practical steps to transition to net zero and to top-up the allocation to the Fund's existing low carbon global equity mandate. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the Net Zero Transition Roadmap prepared by the Funds Investment Advisors (Hymans Robertson) and had been attached (as an exempt part of the report) at Appendix A. The Framework set out a series of proposed steps for the Fund to consider over the short, medium and longer term in the context of setting and achieving net zero with the Sub Committee having noted the importance in being able to evolve the Fund's investment strategy in order to take account of the opportunities and risks presented by climate change, in relation to its responsible investment approach and progress made to date.

In considering the report the Board noted the five key areas priority areas within the Framework to drive forward the strategy, which were identified as education, understanding the baseline, evaluating alignment and setting targets, planning and implementation actions and monitoring and ongoing reporting along with the short and medium term roadmap for each key area and potential targets (both long term and interim) and outline/assessment provided of potential equity funds. In terms of current asset allocation, the Fund was already in the process of making an initial 3% investment from cash to BlackRock's Low Carbon Fund which had been agreed as part of the previous year's core equality allocation. This had been seen by the

Sub Committee as a positive initial step towards the responsible investment strategy with the intention on increasing the proportion of equity holdings in ESG mandates over time. As part of this approach and in line with the Funds net zero aspirations a growth structure review had been planned for 2022 aimed at reviewing and potentially restructuring the Fund's developed market equity holdings in line with the agreed net zero targets. Ahead of the formal review, however, the Sub Committee (as part of the overall Framework being developed) had approved a further increase of 3% (as recommended) in the allocation to the BlackRock Low Carbon Fund.

Members welcomed the report and approach outlined in terms of the Roadmap and with no further issues raised, it was **RESOLVED** to note the report and investment strategy agreed by the Brent Pension Fund Sub Committee.

12. **Any other urgent business**

No items of urgent business were raised.

13. **Date of next meeting**

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

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

14. **Exclusion of Press and Public**

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

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

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

Councillor Crane also advised he would need to leave at this stage of the meeting.

15. **Employer Risk and Admission Agreements**

The Board received a report which provided an update on employer risk to the Brent Pension Fund along with the current position on admission agreements. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 5 October 2021 who had noted the detailed approach towards the management and mitigation of employer risk and efforts being made to address risks and issues identified in relation to specific employers on a case by case basis. In addition the Sub Committee had noted the background and update provided in relation to admission agreements along with the summary of current outstanding agreements and terminations relating to the Fund, as detailed in

Appendix 1 of the report and action being taken to resolve and progress those outstanding to completion.

Members welcomed the report and with no additional risks having been highlighted it was **RESOLVED** to note the report.

16. **London CIV Update**

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


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

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

The meeting closed at 7.30 pm

MR. D EWART
Independent Chair

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	Pension Board 24 March 2022
	Report from the Director of Finance
Pensions Administration Update	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	1. Q3 2021-22 Performance Report 2. Project PACE Update 3. LGPC Bulletin – October 2021 4. LGPC Bulletin – November 2021 5. LGPC Bulletin – December 2021 6. LGPC Bulletin – January 2022 7. LGPC Bulletin – February 2022
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

- 1.1 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)

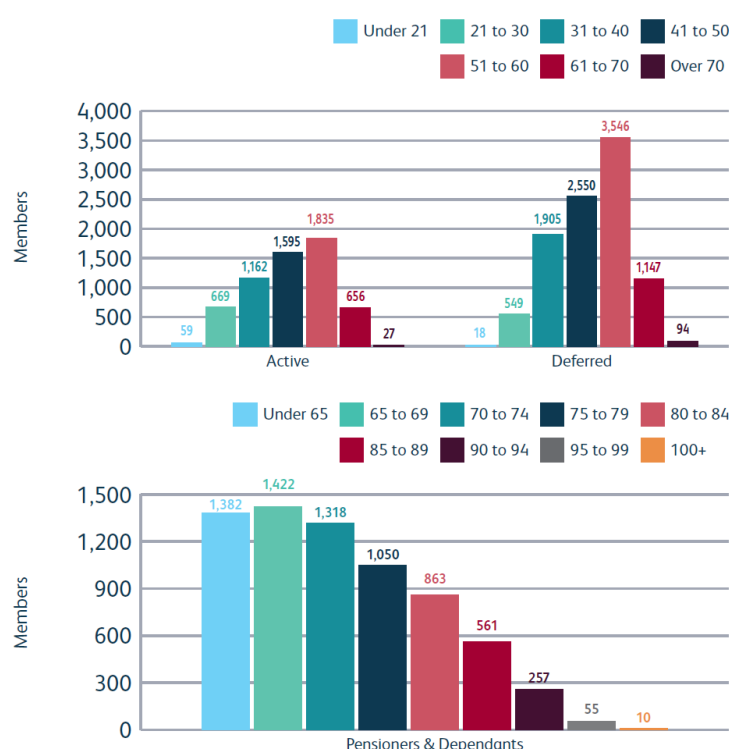
- 2.1 The board is recommended to note the overall report.

3.0 Pensions Administration Performance Report

- 3.1 This report reviews the performance of the LPP contract against agreed Service Level Agreements (SLA's) during October to December 2021.

- 3.2 The Pensions administration team hold monthly meetings with LPP to monitor the performance of the contract reviewing both the individual month and trends across months. Full details on the Q3 2021-22 performance report are set out in Appendix 1.
- 3.3 As of 31 December 2021, the Brent Pension Fund had 22,730 members, which was made up of:
- 6,003 active members
 - 6,918 pensioners (including dependants)
 - 9,809 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 This shows that the majority of the working age active members fall into the 31 to 60 age groups while, as would be expected, 51-60 is the banding with the highest number of deferred members. For pensioner and dependant members, the number of members in the under 65, 65 to 69 and 70 to 74 bands is broadly the same. Number of members declines progressively into the older bands.
- 3.6 The percentage of cases processed on time has remained high with a quarterly average of 99.1%. This is above the 98% target.
- 3.7 Figure 2, provides detail on the number of cases that have been processed grouped by category. At the start of October, cases brought forward totalled 1,110

and there were 950 outstanding cases at the end of December 2021. Most categories saw decreases in outstanding cases, where there were increases in case numbers these were relatively small.

Figure 2:

	Brought Forward at 01/10/21	Completed	Received	Outstanding as of 31/12/21
New Starters	70	242	213	41
Transfer In	179	98	75	156
Transfer Out	112	140	153	125
Estimate - Individual	17	63	56	10
Deferred Benefits	157	218	204	143
Deaths	210	201	119	128
Retirements (Immediate)*	38	35	37	40
Retirements (Deferred)*	103	106	106	103
Refunds	55	101	107	61
Estimates - Employer	7	38	59	28
Correspondence	24	99	94	19
Aggregation	46	73	59	32
Other (see Definitions – page 3)	92	152	124	64
TOTALS	1,110	1,566	1,406	950

* In Q4 20/21, we trialled a new way of prioritising retirement cases. This resulted in the retirement process being split out into its two component parts 1) the options stage 2) the payment stage. The number of completed cases reported in this table may therefore vary to the number of retirements processed on page 11, which are reported against the SLA. We have since re-designed the workflow so that the two component parts of the process can be handled under the one case type.

- 3.8 Helpdesk call performance measures the average wait time and calls answered. The Fund improved performance in its wait times through the quarter with performance of 3 minutes 59 seconds in October, 3 minutes 29 seconds in November and 3 minute 14 seconds in December. All three months were at or below the target time of 4 minutes. The fund will be working with LPP to understand further details behind the delayed timings. The average calls answered should be 90%. Over the last quarter, 97% of calls were answered in October and November and 96.9% in June. This was considerably above the 90% target across all 3 months.
- 3.9 Service improvements delivered included the launch of the LPPA LGPS member panel, a new monthly Employer bulletin (PensionPulse) was launched with the aim of providing more frequent updates on training and LGA regulatory information, and a new animated video was launched on the website to explain the benefits of defined benefit pension schemes to members.
- 3.10 Scheduled updates in the coming months will be focused on Project PACE with training sessions delivered to phase 1 employers on the new employer portal and the launch of PensionPoint, the new member online portal which is replacing My Pension Online.
- 3.11 Since the last Pension Board, 2 new complaint cases have been received. This included 1 new complaint in November, 1 new complaint in December and zero new complaints in January. Out of the 2 cases, 1 related to delays and 1 related to general service. 1 stage 2 Internal Dispute Resolution Procedure (“IDRP”) complaint was received in November 2021. 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.

- 3.12 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:

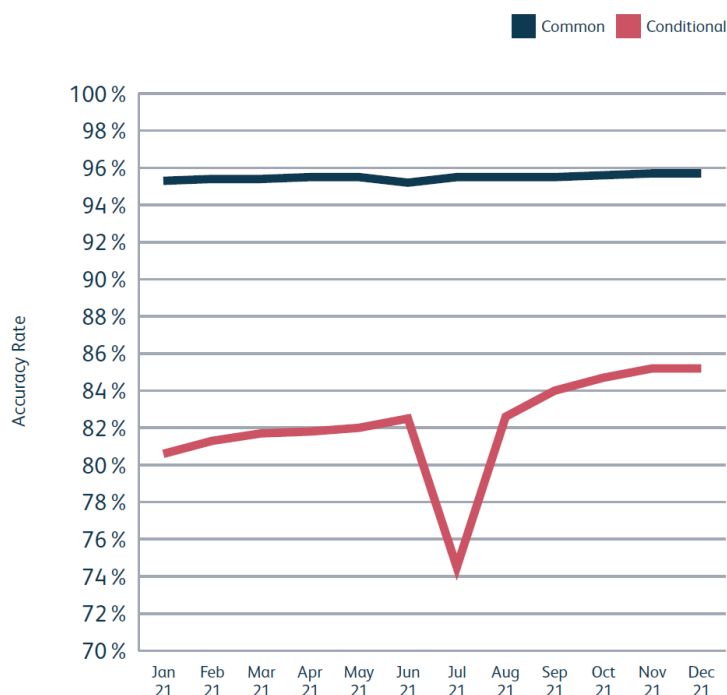
Common Data used to identify scheme members and would include names, addresses, national insurance number and date of birth.

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 December 2021, Common data has a total accuracy rate of 95.6% compared with 95.5% in September while conditional data has a total accuracy rate of 85.2% compared with 84.0% in September.

Figure 3:



4.0 LPP Business Update

4.1 LPPA are introducing a new pension administration system which is made by Civica and called Universal Pensions Management (UPM). The UPM system will replace 5 different systems including Altair, LPP's workflow management system (CMS), both YourFund employer portals and the My Pension Online member self-service portal. The overall project is called project PACE. It is expected that Go Live for the Brent Pension Fund will be in September 2022. LPP are providing Brent officers with regular updates in monthly meetings to ensure successful transfer of administrative systems.

4.2 Updates for this quarter include:

- LPPA successfully went live with 3 clients onto the UPM platform on 26th January 2022 and the 4th client went live on 24th February 2022. Additionally, the member and employer portals are now live.
- Successful implementation includes 67 LPPA operational staff trained and processing work in UPM and 5,225 members have registered successfully to the new member portal, Pension Point.
- There has been a significant increase in the numbers of calls coming into the helpdesk and consequently, there have been an increase in wait times. Visibility of documents (e.g. P60s) has been completed for 1 of the 3 clients, LPPA are planning with Civica how this can be fast tracked for future go-lives.

A full update provided by LPPA is attached in Appendix 2.

4.3 John Crowhurst, the Commercial Director at LPPA will be in attendance at the Pensions Board meeting to provide a verbal business update.

5.0 Data Cleanse Update

5.1 As reported at the previous Pensions Board meetings, the Fund commissioned a separate project to review and resolve outstanding leaver queries.

5.2 The process for clearing the leavers will depend on the case. Options include: using data available through previous end of year returns, contacting the employer to resolve the query, reviewing archives for leaver information or contacting the member for payslip/P60 information.

5.3 1,385 missing leaver queries have been identified as within the scope of the project and the Fund has been receiving regular updates on progress against the project from LPPA. Phase 1 commenced on 12/10/2020 and was completed by 31/03/2021. At the end of phase 1, 695 cases had been resolved leaving 690 cases outstanding.

5.4 As the remaining cases continued to have a material impact on the Fund's TPR data scores and because these queries would impact the triennial valuation in 2022, the Fund commissioned phase 2 of the project to address the remaining cases. The project team includes an experienced member of the administration

team who has relevant experience in handling complex cases. Phase 2 of the project was completed on 22nd February 2022.

- 5.5 Across phase 1 & 2 of the project, a total of 1,219 of the original LB Brent 'missing leaver' errors in scope have been resolved (88%). Of the outstanding 166 cases, 55 are now active cases within "business as usual" and the remaining 111 cases have been passed over to Brent and will be followed up with employers at the 2021-22 year end.

6.0 GMP Project

- 6.1 From 6th April 2016, Contracting-Out Status for pension schemes in the UK ceased. This instigated a reconciliation exercise between HMRC and UK pension scheme administrators to ensure that contracted-out liabilities were recorded correctly across the records of both parties.
- 6.2 LPPA received HMRC's Final Data Cut in August 2020 and the Guaranteed Minimum Pensions (GMP) reconciliation project commenced in August 2021. This project reviewed the final data output from HMRC in relation to the GMP reconciliation exercise on behalf of the London Borough of Brent and carry out the appropriate corrective action on active, deferred and pensioner records.
- 6.3 The total number of cases across all work streams in scope of the project is 1,448. At the closure of the project on 03 February 2022, all 1,448 cases had been reviewed and actioned with remedial action taken where required.

7.0 Re-enrolment

- 7.1 Every three years all employers have a legal duty to assess and re-enrol staff who have left the workplace pension scheme. This is known as 're-enrolment'. Each employer must then submit a re-declaration of compliance to The Pensions Regulator ("TPR") informing them that our legal duties have been met, even if there are no staff to re-enrol. The re-enrolment date for the Brent Pension Fund was selected to be 1 February 2022.
- 7.2 The criteria for assessment and re-enrolment is that the member of staff:
- is over the age of 22 and under State Pension Age;
 - receives an annual salary of £10,000 or greater; and
 - opted out of a pension scheme more than 12 months ago.
- 7.3 The Council contacted maintained schools and their payroll providers about re-enrolment in December 2021 and January 2022 and the requirements to supply data for staff who were not currently in a Pension Scheme. We notified internal staff via Yammer, updates to the Managers Briefing and through a header on the staff intranet homepage informing staff that they may be enrolled.
- 7.4 Challenges faced included that because the Council moved to a new payroll system in October 2021, this was the first time re-enrolment was run in Oracle Cloud. Unfortunately as the data needed to run the reports in Oracle Cloud had

not been migrated from the earlier payroll system, the process had to be undertaken manually. Officers are currently investigating a data cleanse proposal to ensure that this can be rectified for the next re-enrolment date in 2024/25.

- 7.5 Between the Council and the Maintained schools, 316 employees were enrolled into a workplace pension scheme, a further breakdown is shown in the table below:

	Enrolled in Local Government Pension Scheme	Enrolled in Teachers Pension Scheme	Enrolled in NHS Pension Scheme
Brent Payroll	43	16	2
Maintained Schools	177	78	0
Total	220	94	2

- 7.6 At the time of publication of this report, 82 opt out notifications had been received from Brent staff and 48 from maintained schools. These were in the process of being actioned.
- 7.7 The TPR re-declaration of compliance has to be completed by 30 June 2022. Data is currently being collated from the maintained Schools and their payroll providers to complete the re-declaration.

8.0 LGPS Update

- 8.1 The Local Government Association (“LGA”) issues a monthly bulletin containing important updates for all LGPS stakeholders. Bulletins issued since the last pension board meeting have been attached in Appendices 3 to 7.

9.0 Financial Implications

- 9.1 As outlined in section 5 of the report, LPPA have been commissioned to undertake a separate project in order to process historical ‘missing’ leavers. The cost of the project will be in the region of £159k which will be funded from the Brent Pension Fund.
- 9.2 As outlined in section 6 of the report, LPPA have been commissioned to undertake a GMP reconciliation project in order to review and amend records accordingly where differences arise between HMRC and Brent data. The project is scheduled to run for 7 months starting in August 2021 with a cost of £62k which will be funded from the Brent Pension Fund.

10.0 Legal Implications

- 10.1 Not applicable.

11.0 Equality Implications

- 11.1 Not applicable.

12.0 Consultation with Ward Members and Stakeholders

12.1 Not applicable.

13.0 Human Resources

13.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

LPP

Local Pensions Partnership
Administration

Page 19



Brent Pension Fund

Quarterly Administration Report

1st October – 31st December 2021

lppapensions.co.uk

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Definitions

Page 7

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 10

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 11 & 12

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

Page 14

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 16

Retirements

Shows how quickly pension and lump sum payments are paid to Members – distinguishing between late/early notifications and Members with AVC's. Individual tables provide further detail.

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. The Annual Calls answered performance figures are not Client specific (as we are unable to measure abandoned calls by Client).

A 'resolved' call or email requires no further action, as the enquiry has been answered in full. Any that are 'unresolved' will require an action of either a case or chase case to be created, or documents that need to be added to an existing case.

As the needs of our business, Clients and Members change, we adapt our reporting to suit the current trends and ensure sight of common topics. For this reason it is necessary to update and add new topics in the reason for calls. To accommodate the multitude of reasons we have created a "Other" category which includes (but not limited to) 'Information Only', 'Website', 'Resend Documents'.

Page 23 & 24

Customer Satisfaction Scores

The Helpdesk satisfaction scores (telephone 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 29 & 30

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 37 & 38

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.

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.



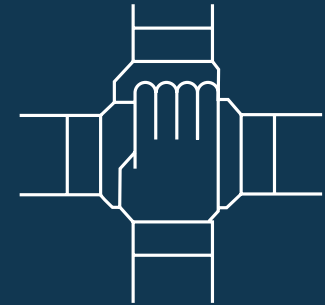
Annual Plan 2021/22

✓ COMPLETED  DUE

Page 23

	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22
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			✓		✓				✓			

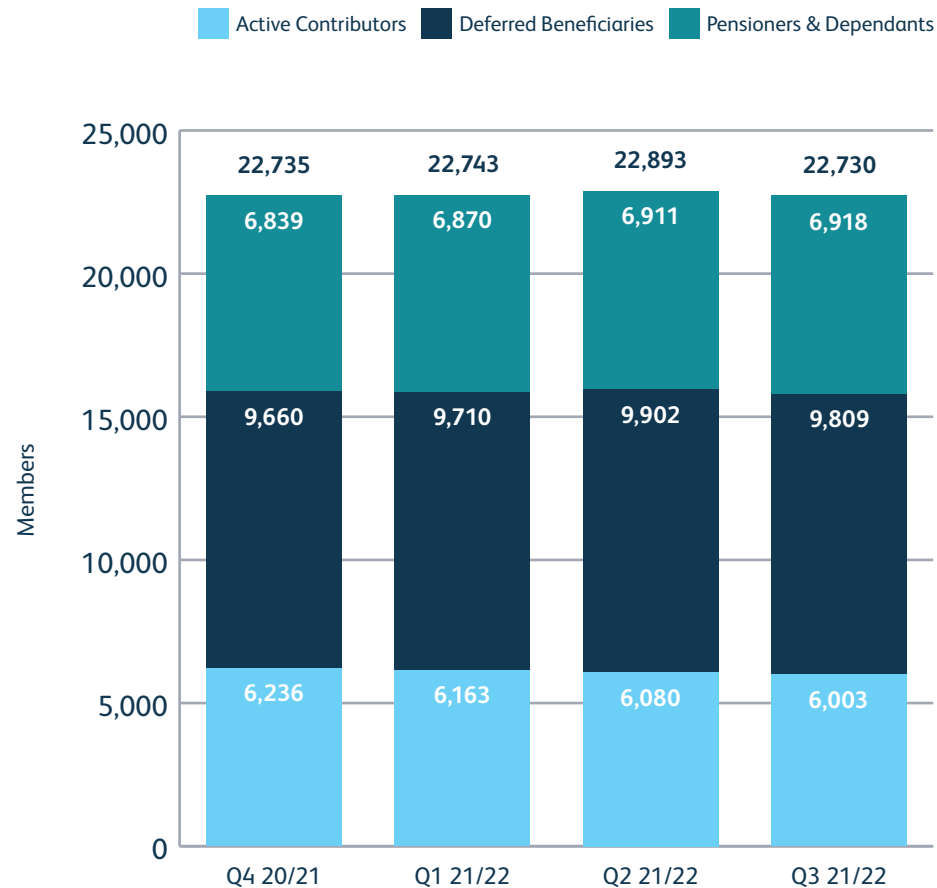
Fund Membership



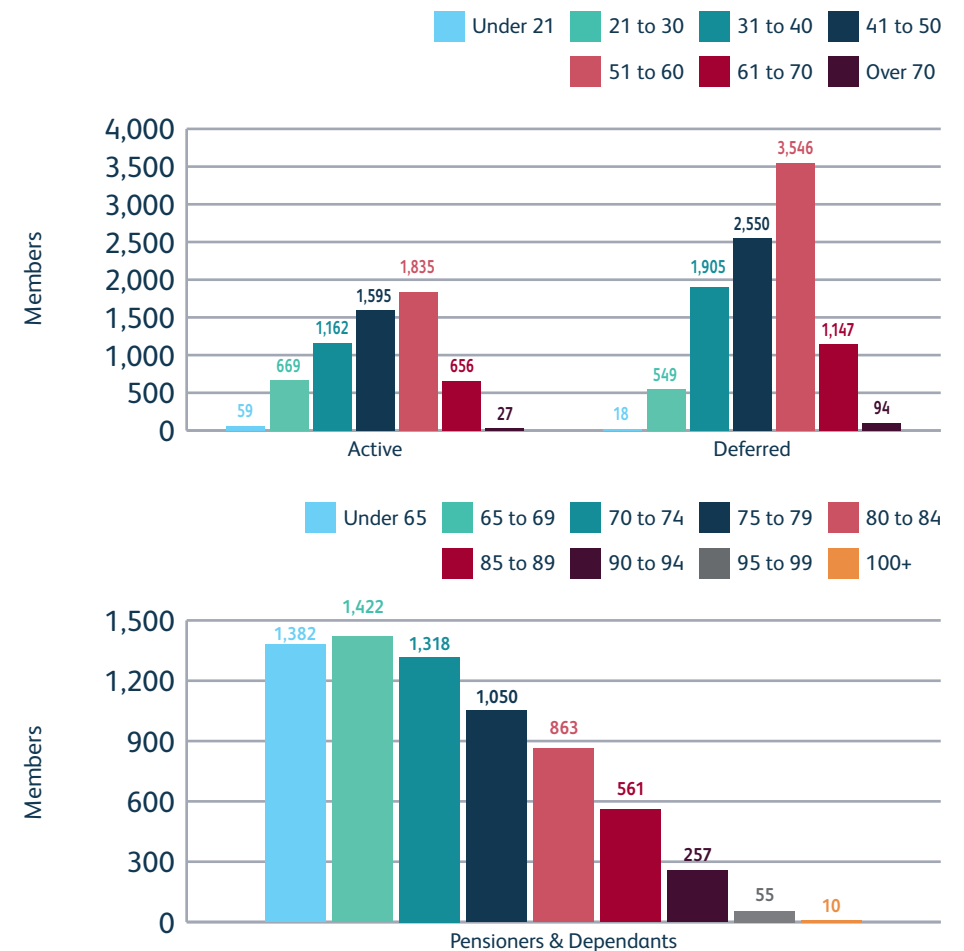
Working Together

Fund Membership

TOTAL FUND MEMBERSHIP



CURRENT AGE DEMOGRAPHIC



Fund Membership

LEAVERS

These leavers are currently included in the active membership figures in the previous page.

Total Current Leavers	Received*	Pending**
417	2	415

* Received from Employer and due to be worked by LPPA in line with SLA

** Awaiting information from Employer



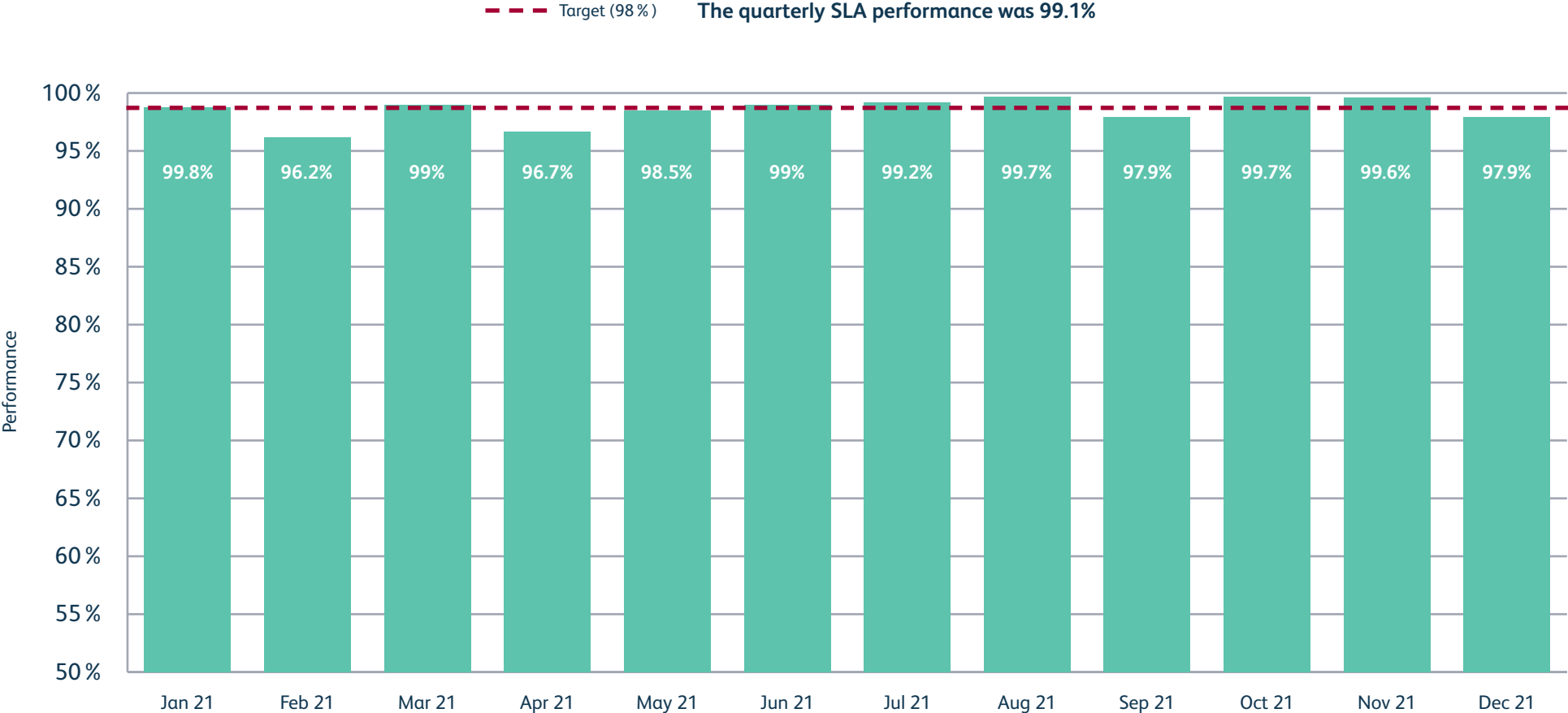
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Casework Performance Against SLA

Casework Performance Against SLA

PERFORMANCE – ALL CASES

Page 28

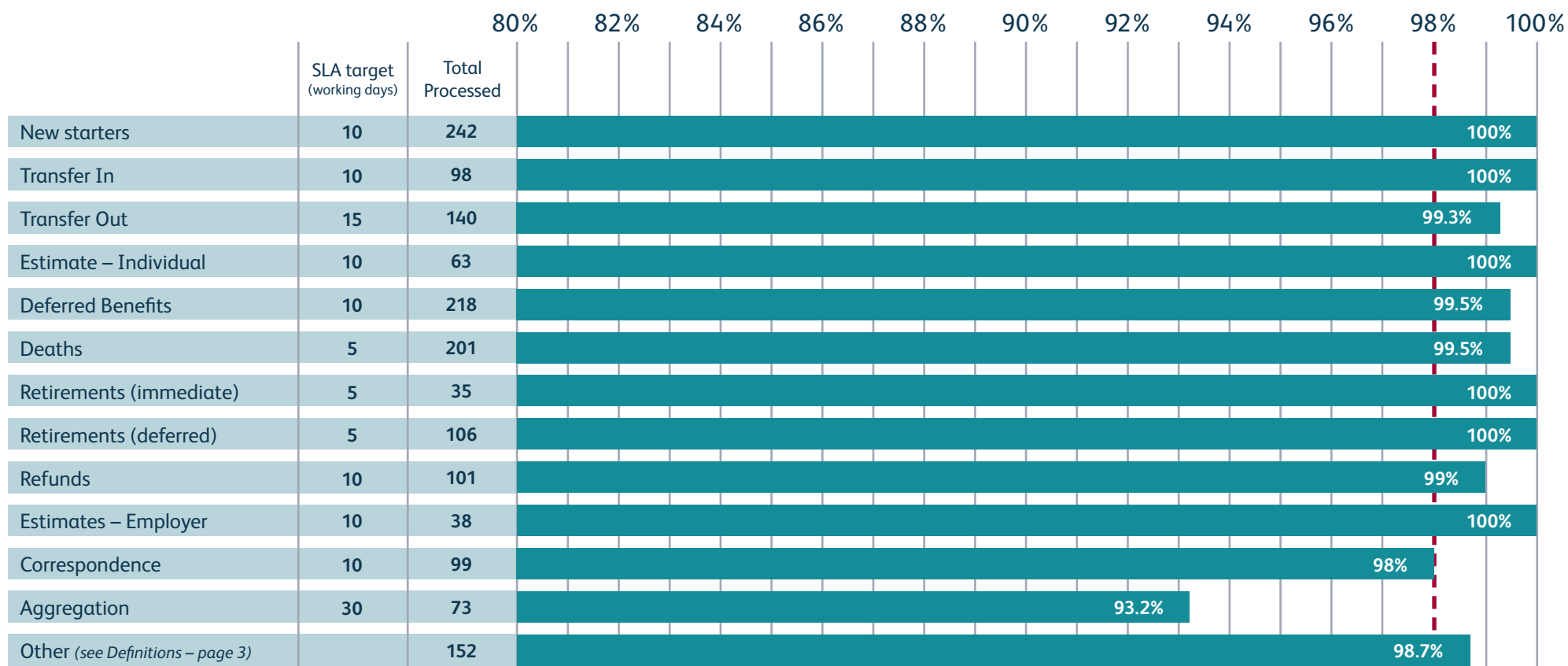


Casework Performance Against SLA

PERFORMANCE STANDARD

--- Target 98 %

Page 29



Casework Performance Against SLA

ONGOING CASEWORK AT THE END OF THE REPORTING QUARTER

Page 30

	Brought Forward at 01/10/21	Completed	Received	Outstanding as of 31/12/21
New Starters	70	242	213	41
Transfer In	179	98	75	156
Transfer Out	112	140	153	125
Estimate - Individual	17	63	56	10
Deferred Benefits	157	218	204	143
Deaths	210	201	119	128
Retirements (Immediate)*	38	35	37	40
Retirements (Deferred)*	103	106	106	103
Refunds	55	101	107	61
Estimates - Employer	7	38	59	28
Correspondence	24	99	94	19
Aggregation	46	73	59	32
Other (see Definitions – page 3)	92	152	124	64
TOTALS	1,110	1,566	1,406	950

* In Q4 20/21, we trialled a new way of prioritising retirement cases. This resulted in the retirement process being split out into its two component parts 1) the options stage 2) the payment stage. The number of completed cases reported in this table may therefore vary to the number of retirements processed on page 11, which are reported against the SLA. We have since re-designed the workflow so that the two component parts of the process can be handled under the one case type.



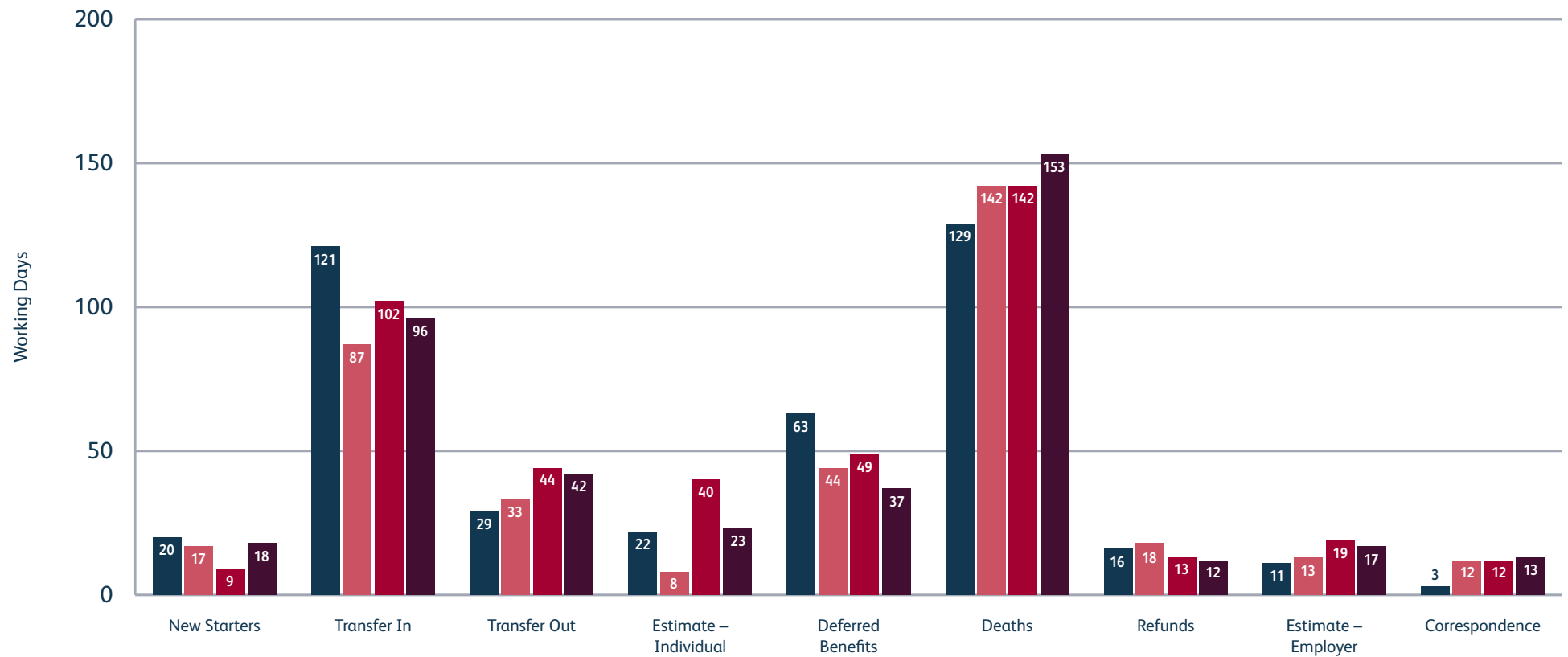
Doing The Right Thing

Elapsed Times

Elapsed Times

ELAPSED DAYS BY QUARTER

Q4 – 20/21 Q1 – 21/22 Q2 – 21/22 Q3 – 21/22





Committed to Excellence

Retirements

Retirements

Page 34

	Retirements (Deferred)*			Retirements (Immediate)*		
	Total cases	On Time	SLA	Total cases	On Time	SLA
January 21	52	52	100%	19	19	100%
February 21	30	23	76.7%	18	15	83.3%
March 21	27	27	100%	30	30	100%
April 21	40	36	90%	40	38	95%
May 21	17	16	94.1%	11	8	72.7%
June 21	24	23	95.8%	14	14	100%
July 21	27	27	100%	12	12	100%
August 21	36	36	100%	12	12	100%
September 21	31	31	100%	17	17	100%
October 21	33	33	100%	9	9	100%
November 21	48	48	100%	15	15	100%
December 21	25	25	100%	11	11	100%

* In Q4 20/21, we trialed a new way of prioritising retirement cases. This resulted in the retirement process being split out into it's two component parts 1) the options stage 2) the payment stage. The number of completed cases reported in this table may therefore vary to the number of retirements processed on page 11, which are reportable against the SLA. We have since re-designed the workflow so that the two component parts of the process can be handled under the one case type.

Helpdesk Performance

The Helpdesk deals with all online enquiries and calls from Members for all funds that LPPA provide administration services for.

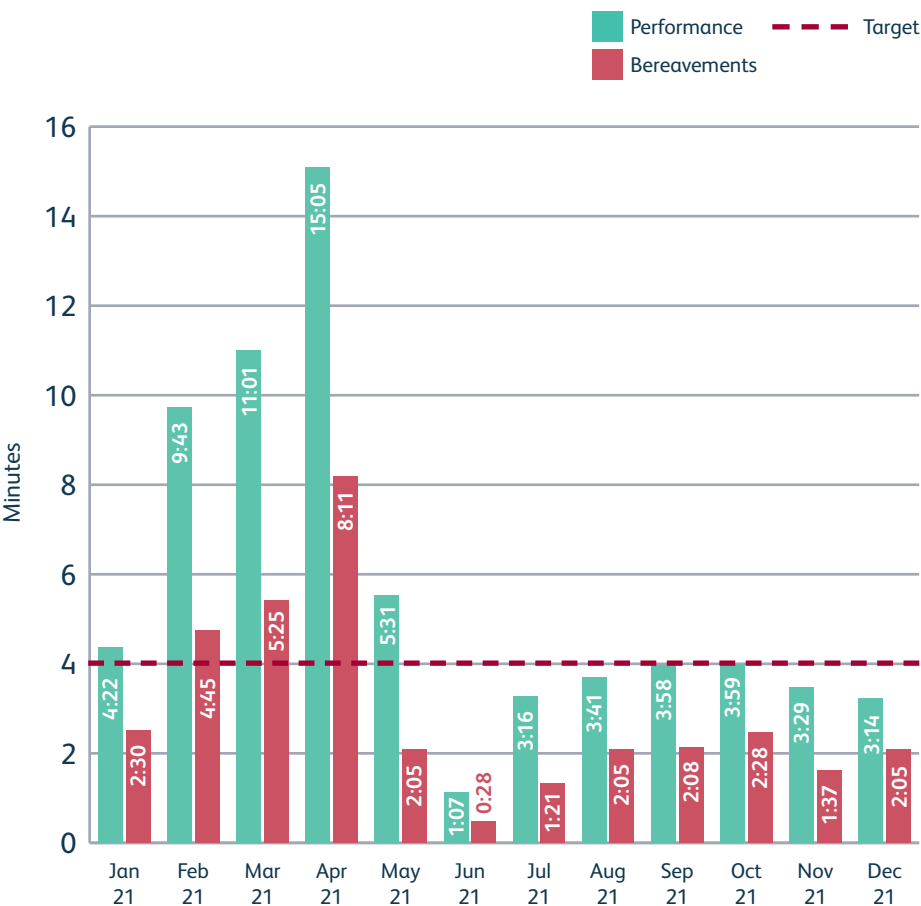


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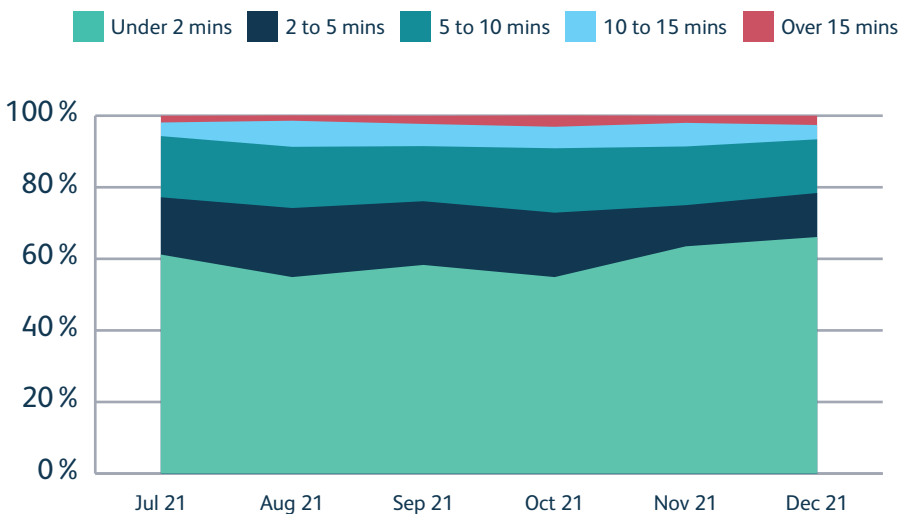
Helpdesk Performance - Calls

AVERAGE WAIT TIME

Page 36



WAIT TIME RANGE



	Under 2 Mins	2 to 5 Mins	5 to 10 Mins	10 to 15 Mins	Over 15 Mins
Jul 21	61.2 %	16.0 %	17.1 %	3.8 %	1.9 %
Aug 21	54.9 %	19.3 %	17.1 %	7.3 %	1.5 %
Sep 21	58.3 %	17.8 %	15.4 %	6.2 %	2.3 %
Oct 21	54.9 %	18.0 %	18.0 %	6.0 %	3.2 %
Nov 21	63.5 %	11.5 %	16.4 %	6.6 %	2.0 %
Dec 21	66.1 %	12.3 %	15.0 %	4.0 %	2.6 %

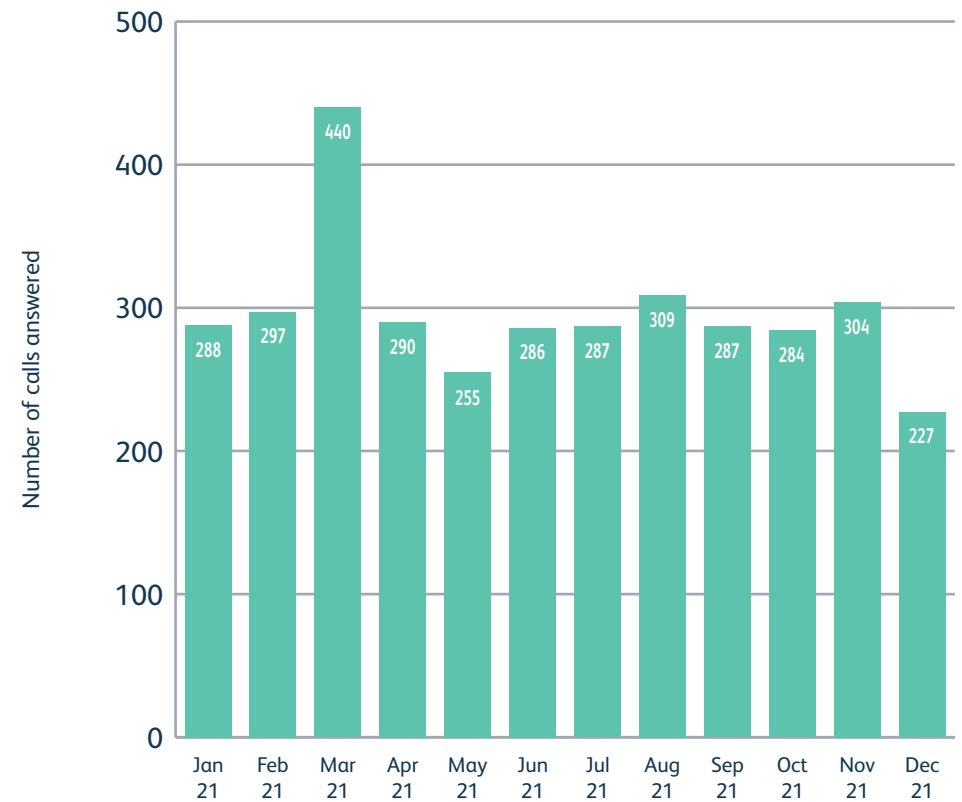
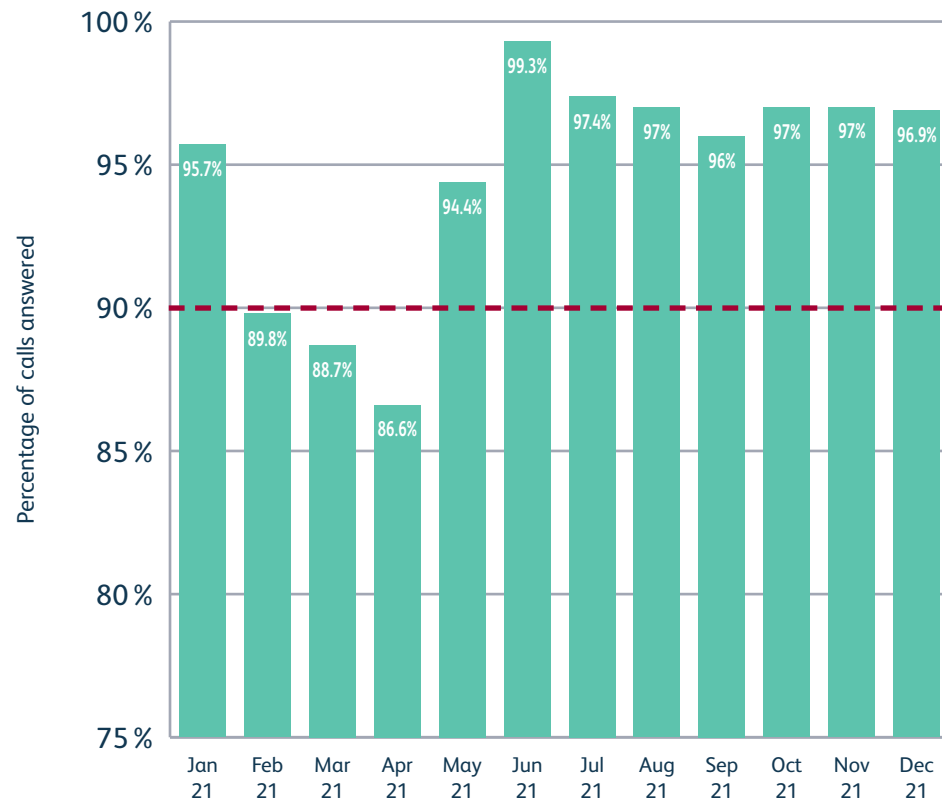
Helpdesk Performance - Calls

CALLS ANSWERED

(ALL LPPA)

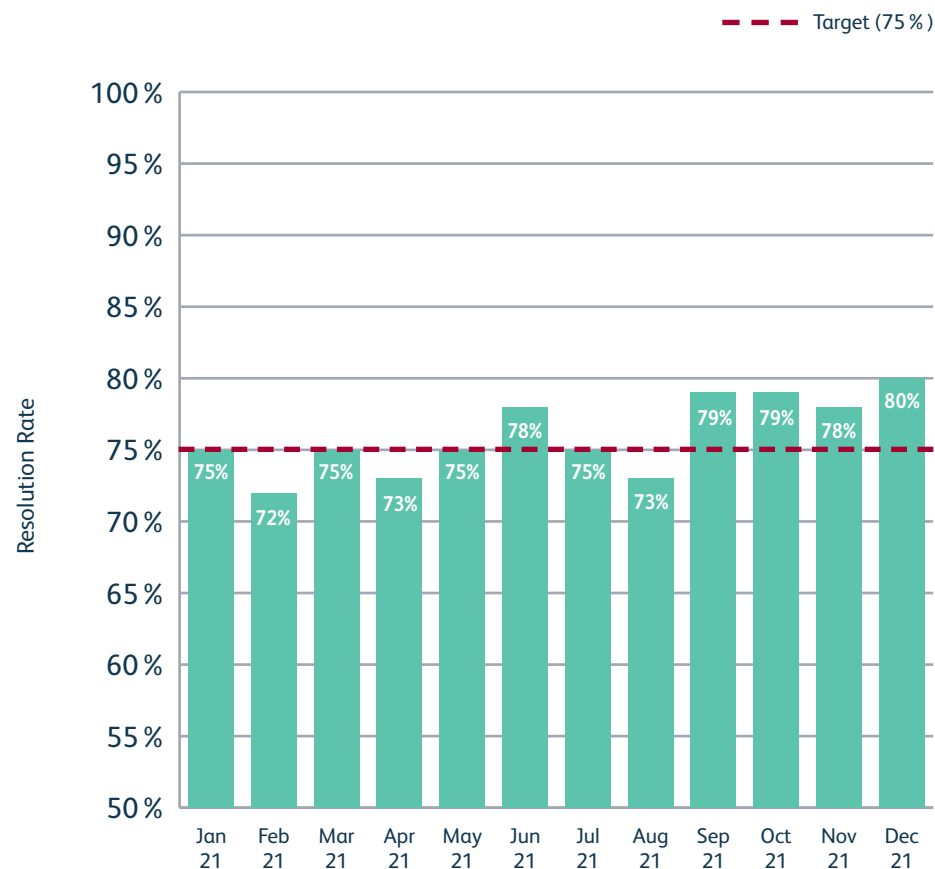
CALL VOLUMES

Performance Target



Helpdesk Performance - Calls

RESOLUTION RATE*



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

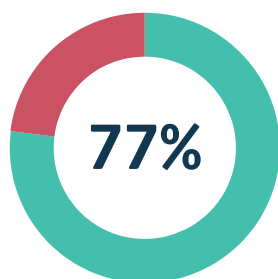
WHAT DO MEMBERS CALL ABOUT?

	OCT 21	NOV 21	DEC 21
Annual Benefit Statement	6	7	2
Annual Allowance	5	2	1
Additional Voluntary Contributions / Additional Pension Contributions	7	5	3
Bereavement	23	31	21
Deferred	5	15	3
Divorce	3	1	1
Estimate	16	10	13
Life Certificates	1	0	2
McCloud	0	0	0
My Pension Online	17	21	17
P60	6	2	5
Payslip	28	27	28
Pension Increase	1	0	0
Refund	28	40	20
Retirement	73	76	61
Transfer	29	31	25
Update Details	12	11	9
Other	24	25	16
TOTALS	284	304	227

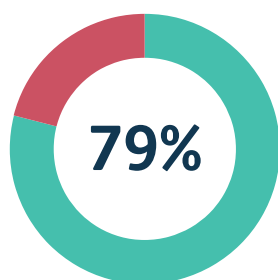
Helpdesk Performance - Web Enquiries

RESOLUTION RATE* (TARGET 75%)

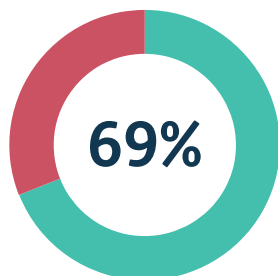
OCTOBER



NOVEMBER

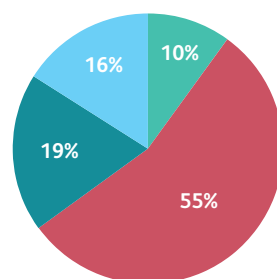


DECEMBER

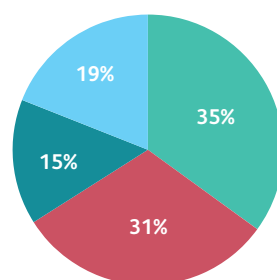


ENQUIRY HANDLING RATE

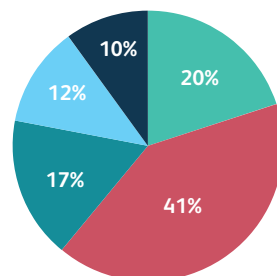
OCTOBER



NOVEMBER



DECEMBER



Under 1 Day
1 to 2 Days
2 to 3 Days
3 to 5 Days
Over 5 Days

WHAT DO MEMBERS ENQUIRE ABOUT?

	OCT 21	NOV 21	DEC 21
Annual Benefit Statement	0	0	2
Annual Allowance	4	0	2
Additional Voluntary Contributions / Additional Pension Contributions	4	0	1
Bereavement	6	3	3
Deferred	1	0	6
Divorce	0	1	0
Estimate	6	1	12
Life Certificates	1	1	0
McCloud	0	0	0
My Pension Online	24	21	11
P60	0	0	0
Payslip	4	4	8
Pension Increase	0	0	0
Refund	3	3	2
Retirement	31	26	34
Transfer	5	4	2
Update Details	7	8	10
TOTALS	96	72	93

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

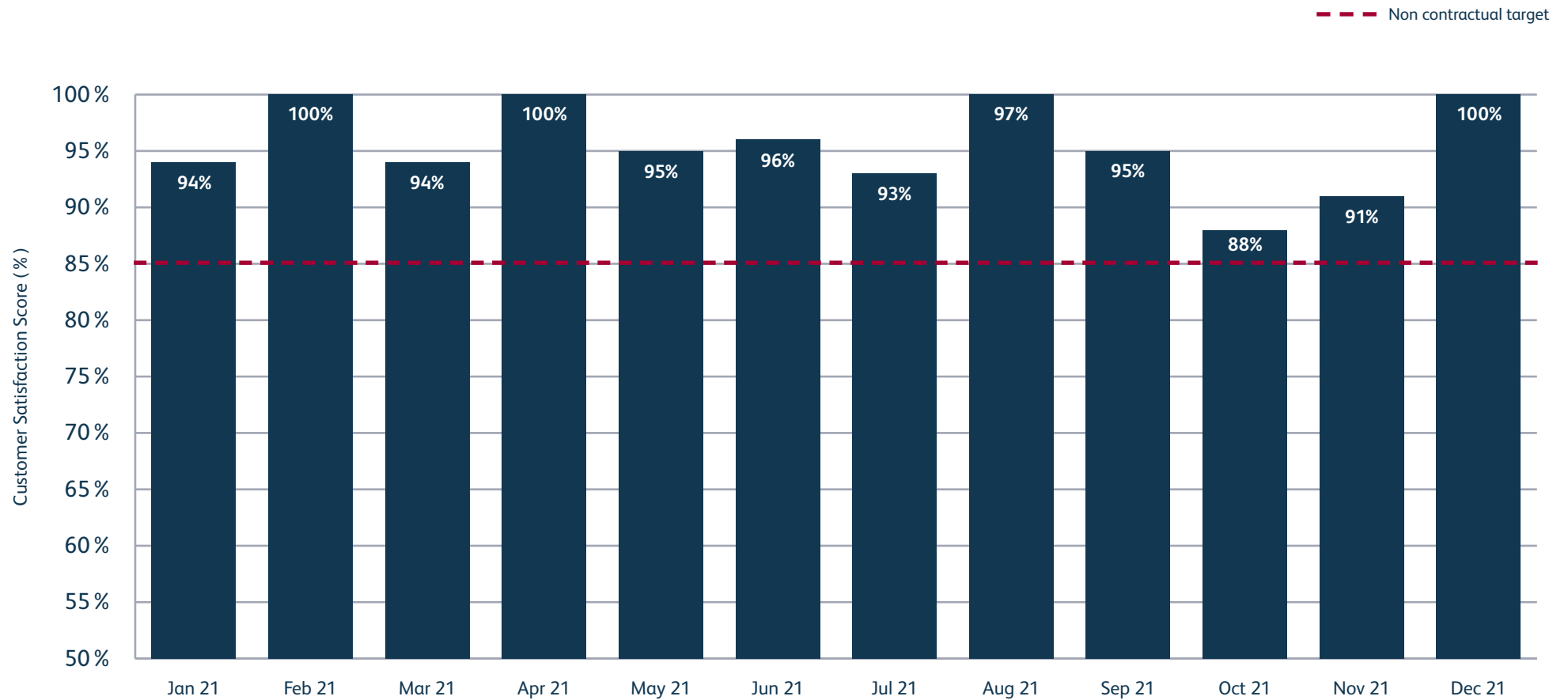


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Customer Satisfaction Scores

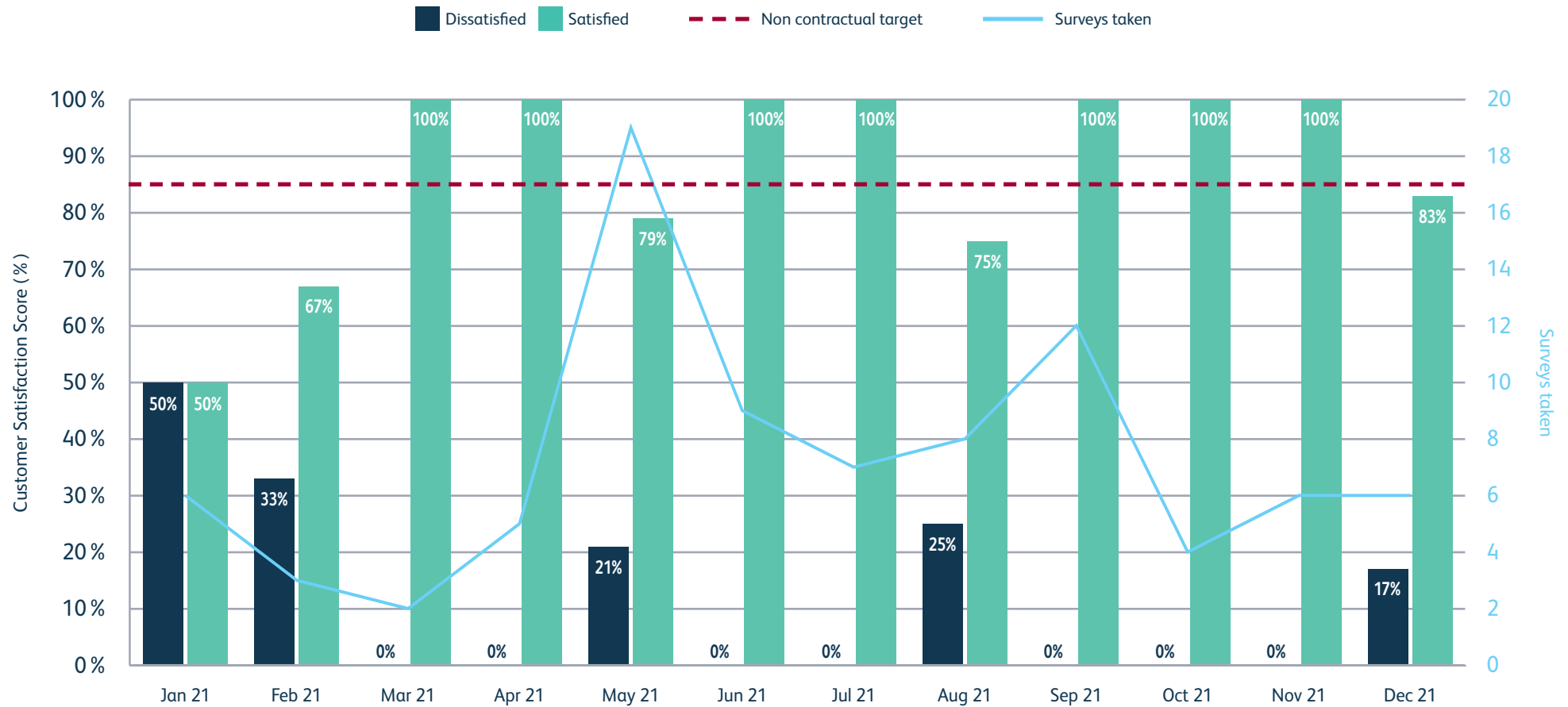
Customer Satisfaction Scores

HELPDESK SATISFACTION (CALLS)



Customer Satisfaction Scores

RETIREMENTS





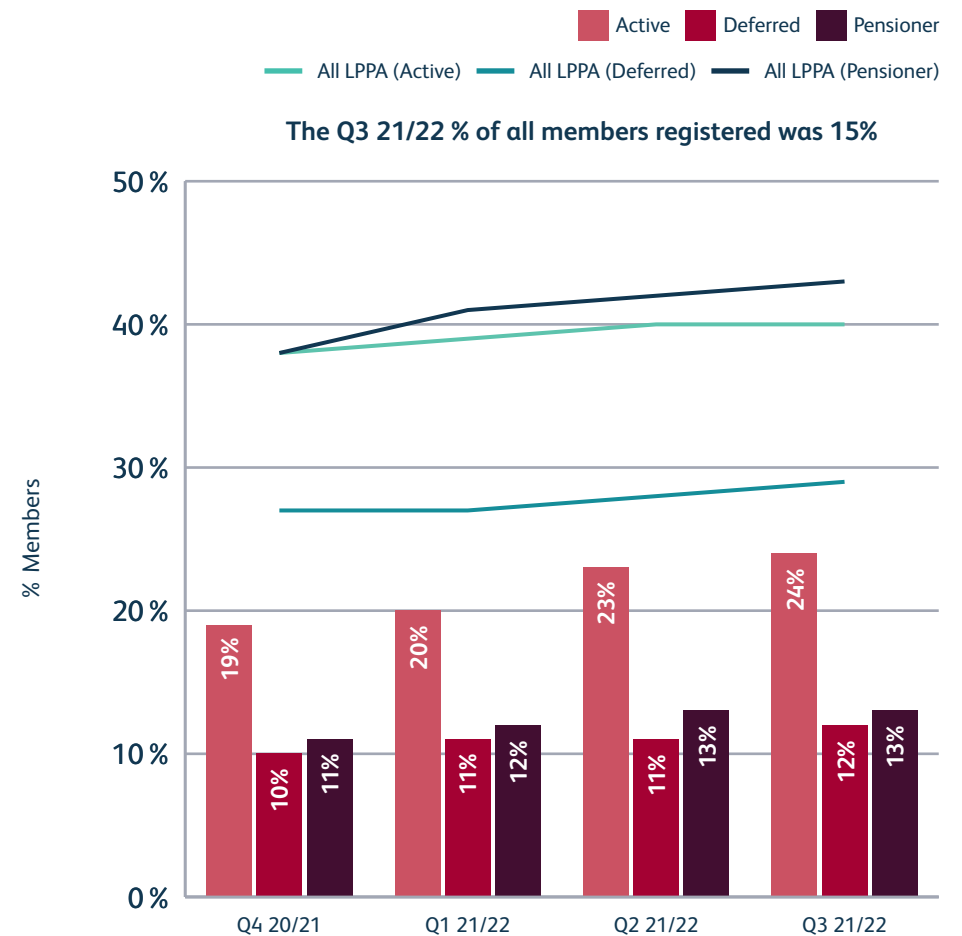
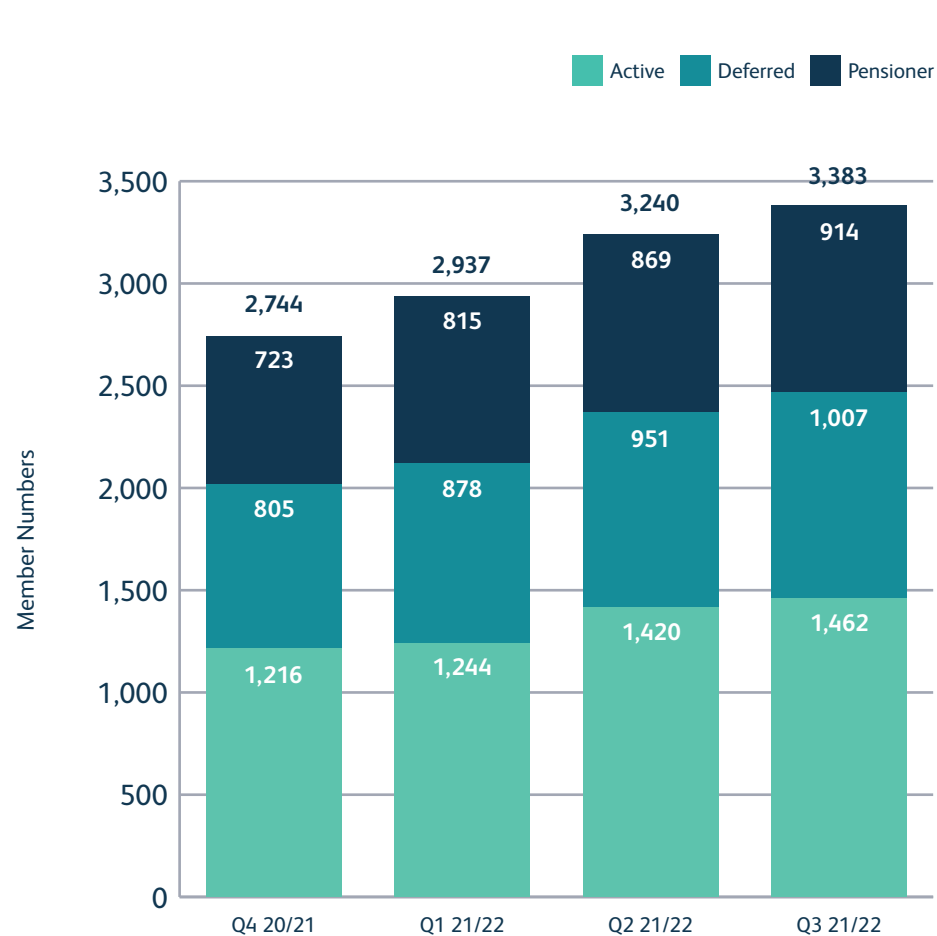
Forward Thinking

My Pension Online (MPO)

My Pension Online

MEMBERS REGISTERED

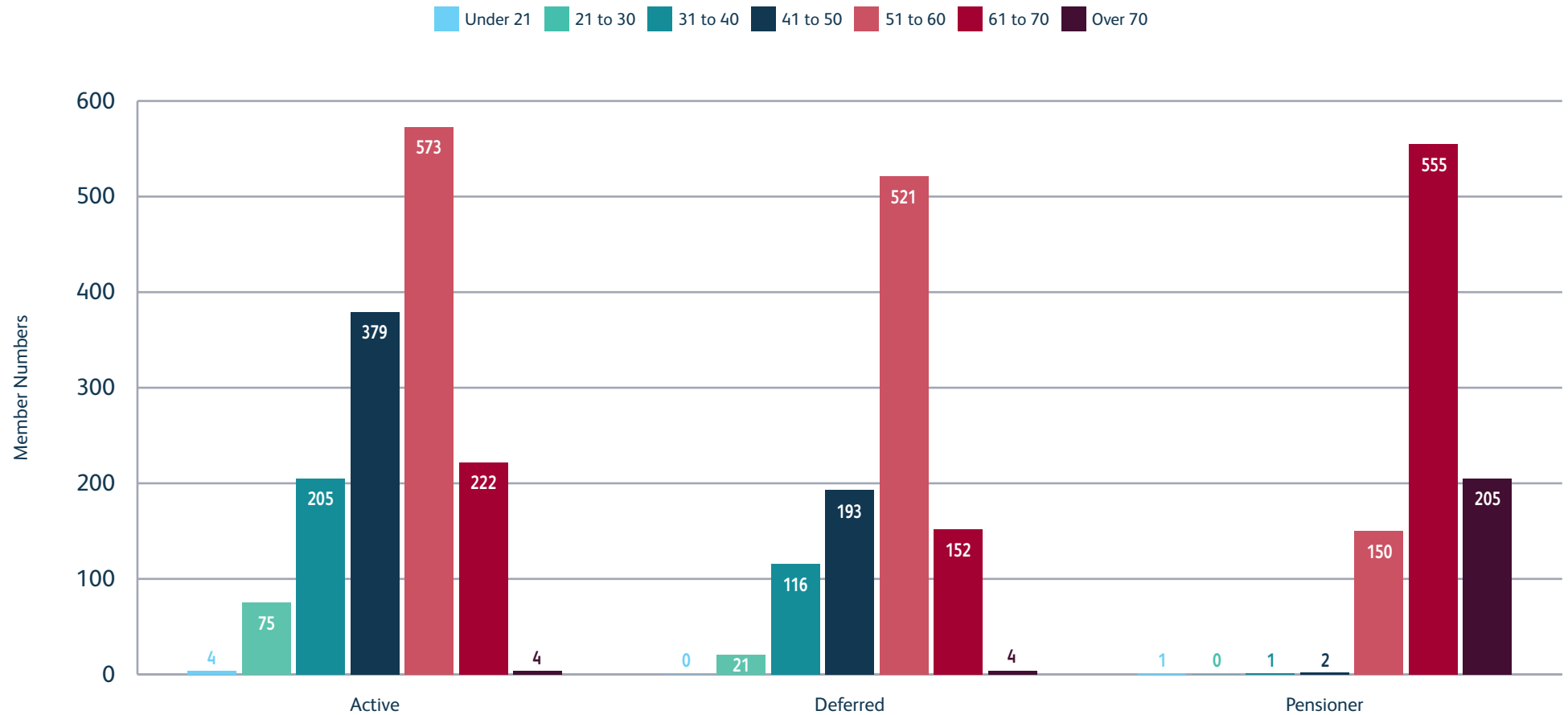
Page 44



My Pension Online

AGE DEMOGRAPHIC

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Forward Thinking

Member Contact Data

Member Contact Data

EMAIL ADDRESSES

	Q4 - 20/21	Q1 - 21/22	Q2 - 21/22	Q3 - 21/22
Active Contributors	3,128 (50.16%)	3,220 (52.25%)	3,434 (56.48%)	3,477 (57.92%)
Deferred Beneficiaries	1,811 (22.12%)	1,872 (22.80%)	1,986 (23.91%)	2,092 (24.93%)
Pensioner and Dependants	1,266 (18.51%)	1,397 (20.33%)	1,498 (21.68%)	1,565 (22.62%)

TELEPHONE NUMBERS

	Q4 - 20/21	Q1 - 21/22	Q2 - 21/22	Q3 - 21/22
Active Contributors	547 (8.77%)	552 (8.96%)	617 (10.15%)	671 (11.18%)
Deferred Beneficiaries	529 (5.48%)	566 (5.83%)	643 (6.49%)	730 (7.44%)
Pensioner and Dependants	903 (13.20%)	1,032 (15.02%)	1,143 (16.54%)	1,239 (17.91%)

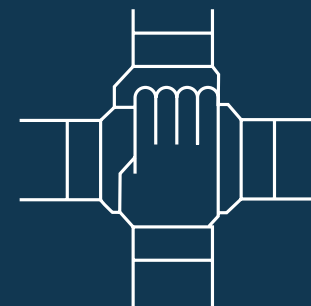
Member Contact Data

DEATH NOMINATION

	Q4 - 20/21	Q1 - 21/22	Q2 - 21/22	Q3 - 21/22
Active Contributors	711 (11.40%)	742 (12.04%)	918 (15.10%)	946 (15.76%)

E-COMMUNICATIONS OPT-OUT

	Q4 - 20/21	Q1 - 21/22	Q2 - 21/22	Q3 - 21/22
Active Contributors	11 (0.18%)	11 (0.18%)	12 (0.20%)	11 (0.18%)
Deferred Beneficiaries	28 (0.29%)	28 (0.29%)	28 (0.28%)	28 (0.29%)
Pensioner and Dependants	358 (5.23%)	358 (5.21%)	357 (5.17%)	354 (5.12%)



Working Together

Employer Engagement & Communication Activity

Employer Engagement & Communication Activity

DELIVERED – ALL CLIENTS

1. Our 'Life is for Living' retirement campaign was communicated to all client members. This included a survey asking members for their views on retirement in a single word, sentence, or image. There were over **12,000 responses** (across all clients) and the LPPA Communications Team have [created an online video & report](#) detailing the findings.
2. In addition to our existing Blue Light member panel, **our first LGPS member panel** took place. Both panels will meet quarterly and will continue to grow through ongoing recruitment of members ... they will offer an opportunity to ensure LPPA communications continue to be useful and relevant to members.
3. A news story was published on the LPPA website to coincide with [Get Online Week \(18 Oct 21\)](#). The aim was to provide online tools and resources, to encourage members to visit and make more frequent use of the LPPA website.
4. A new survey was be launched to measure member satisfaction for **New Joiners** (those who have recently joined the pension scheme)
5. A new **monthly Employer bulletin** ([PensionPulse](#)) was launched with the aim of providing more frequent updates on training, LGA regulatory information and LPPA projects
6. A new animated video was made launched on the website for members. '[More than just a great pension](#)' was developed to explain defined benefit pension schemes to members, and the benefits that these schemes offer to Local Government, Police and Fire pension members
7. LPPA launched a [LinkedIn page](#), providing another useful employer engagement channel, in addition to our existing email, website and YouTube digital communications channels

Life is
for Living!



Employer Engagement & Communication Activity

SCHEDULED – ALL CLIENTS

1. The focus for the Engagement and Communications team in Q4 will be **Project PACE**, and delivering training sessions to Phase 1 employers on the new employer portal, as well as providing support for employer enquiries relating to the launch of our new administration system.
2. The launch of **PensionPoint**, the new member online portal which is replacing My Pension Online, will be a focus for our member communications activity in Q4. User guides and videos will be launched on the LPPA website and made available to members who want an overview of the new portal, or would like to understand how to register / gain access to PensionPoint
3. Q4 activity will also include sessions covering pension scheme and retirement essentials (member focused), as well as Year End training for employers.
4. Feedback from the new joiner process will be used to update and improve the new joiner pages on our website.



Employer Engagement & Communication Activity

ENGAGEMENT COMMUNICATIONS – CLIENT SPECIFIC

- 8 Brent Pension Fund employers attended Scheme Leaver Essentials Training
- 4 Brent Pension Fund employers attended Ill Health Awareness Training
- 9 Brent Pension Fund members attended a Scheme Essentials presentation



Employer Engagement & Communication Activity

EMPLOYERS

Date	Employer	Activity	Number in attendance
5 October 2021	Barham Primary School	Leaver essentials	1
5 October 2021	Brent Council	Leaver essentials	1
5 October 2021	Making The Leap	Leaver essentials	1
5 October 2021	Roe Green Junior School	Leaver essentials	1
5 October 2021	Sinai J P School	Leaver essentials	1
5 October 2021	Teeside University (Payroll Provider)	Leaver essentials	3
10 November 2021	Ark Academy	Ill Health Awareness	1
10 November 2021	Making the Leap	Ill Health Awareness	1
10 November 2021	Phoenix Arch School	Ill Health Awareness	1
10 November 2021	Teeside University (Payroll Provider)	Ill Health Awareness	1

EMAILS – EMPLOYERS

Date	Message / Campaign	Call to Action
OCTOBER	Newsletter	Newsletter
	PACE: Phase 1	Information
NOVEMBER	PensionPulse	Information
DECEMBER	PensionPulse	Information
	LPPA Christmas card	Notification

MEMBERS

Date	Employer	Activity	Number in attendance
26 October 2021	LB Brent Members	Scheme Essentials (monthly)	4
24 November 2021	LB Brent Members	Scheme Essentials (monthly)	4
16 December 2021	LB Brent Members	Scheme Essentials (monthly)	1



Doing The Right Thing

Data Quality

Data Quality (TPR scores)

QUARTERLY COMMON DATA

Data Item	Active	Deferred	Pensioner / Dependant
NI Number	5	72	29
Surname	0	0	0
Forename / Initials	0	6	7
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	27	768	39
Postcode	28	813	53
Total fails	60	1,659	128
Individual fails	33	885	82
Total members	6,003	9,809	6,918
Accuracy rate	99.5%	91.0%	98.8%

Total accuracy rate	95.6%
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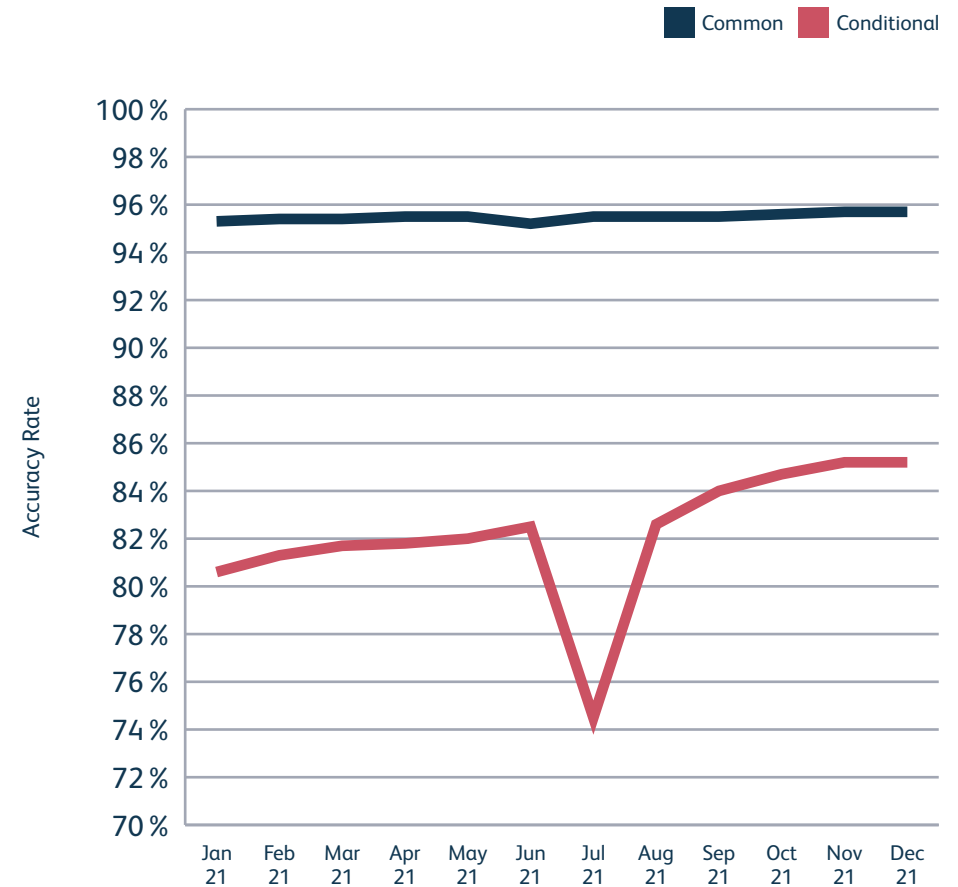
Data Quality (TPR scores)

QUARTERLY CONDITIONAL DATA

Data Item	Fails
Divorce records	0
Transfer In	4
AVC's / Additional Contributions	0
Deferred Benefits	0
Tranches (DB)	650
Gross Pension (Pensioners)	17
Tranches (Pensioners)	865
Gross Pension (Dependants)	20
Tranches (Dependants)	19
Date of leaving	0
Date Joined Scheme	0
Employer Details	0
Salary	539
Crystallisation	99
Annual Allowance	274
LTA Factors	0
Date Contracted Out	11
Pre-88 GMP	591
Post-88 GMP	1,008
Total fails	4,097
Individual fails	3,356
Total members	22,730

Total accuracy rate 85.2%

ANNUAL COMMON & CONDITIONAL ACCURACY RATE



LPP

Local Pensions Partnership
Administration

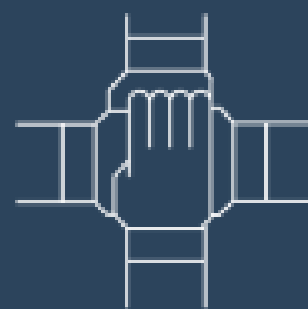
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Local Pensions Partnership
Administration

Brent Pension Fund Local Pension Board Project PACE update

9th March 2022



WORKING
TOGETHER



COMMITTED TO
EXCELLENCE



FORWARD
THINKING



DOING THE
RIGHT THING

Contents

- Project PACE go-live update
- What's gone well
- What hasn't gone well
- Update on progress for the Brent go-live and the go / no-go decision making process
- Hypercare and post go-live support

Project PACE go-live update

- LPPA successfully went live with 3 clients onto the UPM platform on 26th January 2022 and our 4th client went live on 24th February 2022
- The next client remains on track to go live on 24th March 2022
- The member portal, Pension Point, is now live
- The Employer Portal is now live

What's gone well

- We have gone live with 67 LPPA operational staff trained and processing work in UPM. This includes 33 caseworkers, 9 payroll experts and 25 of our helpdesk advisors.
- All employers across the 4 clients have been offered training on the employer portal and have been setup as users of the system. 480 forms have been submitted by employers since go-live
- All members across the 4 clients have received a communication to confirm that they can now register for Pension Point. 5,225 members have registered successfully
- Our operational teams have completed over 5,000 process stages on UPM since go-live
- The data migration has been fully reconciled (all Altair and CMS records successfully migrated to UPM).
- For the clients that are live, the live payroll file has been fully reconciled (UPM payroll file run after data load and payroll run matches the Altair file with no discrepancies). The January payroll uses the Altair file, from February the UPM file will be used. First immediate payments have been made successfully.
- 3 x daily triage calls with Civica (Hypercare service) to address 'snag list' issues identified. These are being resolved in line with our Hypercare plan.

What hasn't gone so well

Visibility of documents in UPM, member and employer portals

We have now uploaded all documents (such as P60s) to records for 1 of the 3 clients and are continuing to work through the remaining 2. This work could not take place until the system went live and we are getting all documents uploaded as quickly as possible, including out of hours and at weekends. We are already planning with Civica how this can be fast tracked for future go-lives

2-factor authentication process

This was a new process that LPPA staff will have to undertake and is to ensure we are operating in the safest way due to the personal data held in the system, as UPM is hosted in the cloud. It is common practice to have such a process in place and is widely used across financial services, for example when undertaking online banking. There have been some tickets raised by users who had initial challenges registering or regarding passwords but all have since been resolved

UPM letter templates

Were uploaded into UPM in priority order, with those letters used most frequently being configured first. The configuration of the remaining letters is in flight and will be completed before the next go-live in February 2022

Call wait times

We have seen a significant increase in the numbers of calls coming into our helpdesk and as a consequence, we have seen an increase in wait times. This is predominantly as a result of a new client joining the partnership and members registering for Pension Point for the first time. Our IVR message will be updated to advise members of alternative contact methods/or the best time to call us and we will re-deploy people to handle calls to assist with managing volumes during peak times of the day

Brent go-live

The decision to “go” or “no go” for each client will be made by the Pace Steering Group who will then provide a recommendation for approval to the LPPA Change and Technology Committee.

There are several documents that will be provided to the Pace SG/Change and Technology Committee to support and inform decision making on each “go/no go” decision. Our approach to “go live” approval is to provide assurance on five questions:

1. Have we delivered everything we need?
2. Have we and trained and communicated the new systems/processes to everyone who needs to know?
3. Is the quality of our deliverable acceptable and do we understand the scale and criticality of any issues?
4. Are we comfortable operationally that the new system will work with and alongside our existing business?
5. Is the system secure, stable, and can we support it?

Go live dashboard

The dashboard is essentially a “checklist” that details all the necessary criteria that must be satisfied prior to go live. There is a dashboard for each client migration. Each check on the dashboard is assigned a RAG status to give clear visual indicators of the “readiness” of the project to go live.

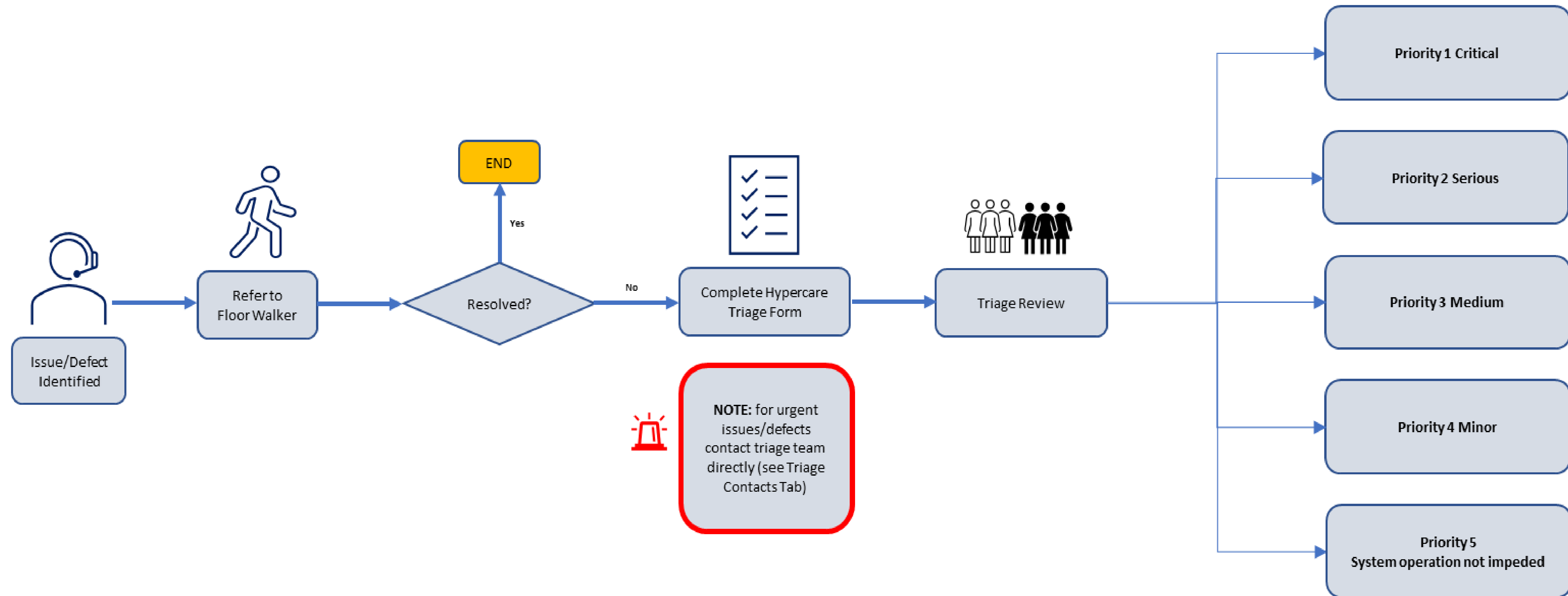
Section	Description
Technical	<p>This section relates to the checks to satisfy the technical requirements for go live and is split into subsections:</p> <ul style="list-style-type: none">•Data migration quantitative checks – a series of quantitative checks that ensure that record counts and totals are reconciled when data is migrated from Altair/CMS to UPM•Data migration qualitative checks – a series of qualitative checks that ensure that data is correctly migrated from Altair/CMS to UPM•Other – checks relating to security and stability of the technical platform
Calculations	<p>This section details the checks to ensure that the calculations in UPM are ready to go live</p>
Reports	<p>This section details the checks to ensure that the reports needed to support the business are ready to go live</p>
Configuration	<p>This section relates to the checks to confirm that all necessary UPM configuration has been completed prior to go live</p>
Workflow	<p>This section relates to the checks to confirm that all necessary workflow configuration has been completed prior to go live</p>
Payroll	<p>This section relates to the checks to confirm that the parallel pay runs have been completed successfully prior to go live</p>
Testing	<p>This section details the checks to confirm that testing has been successfully completed prior to go live</p>
Training	<p>This section relates to the checks to confirm that all necessary training has taken place prior to go live</p>
Ops Readiness	<p>This section relates to the checks to assess that the business is operationally ready to go live</p>
Comms	<p>This section details the checks to confirm that all essential communication has taken place and is in place for go live</p>
Employer Readiness	<p>This section details the checks to assess that employers are ready to go live</p>
Web Services	<p>This section relates to the checks to assess that the new member and employer portals are ready to go live</p>

Hypercare and post go-live support

- The main purpose of the Post Go Live Support (Hypercare) period is to closely monitor customer service, data Integrity and the smooth functioning of UPM and its supporting systems. In most circumstances hypercare support ends when the system is stable and can be release to more end users with the usual support activities continuing.
- Hypercare is the period directly following go live where all issues experienced in Live system are reviewed and addressed by the project team. This is available to LPPA for a period of 1 month post go-live.
- Ending Post Go Live Support period will also be subject to meeting Exit Criteria to ensure the system performance and quality meet LPPA operational standards. The Post Go Live Support can be therefore extended beyond agreed timescale.

Initial Triage

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Priority Examples

Priority	Description/Examples
1	<ul style="list-style-type: none"> ▪ System down affecting all users. ▪ Single site down or unusable leading to complete service loss affecting all users at that site. ▪ Multiple issues across platform making service not useable for all users. ▪ Performance of system affecting productivity that could endanger SLAs
2	<ul style="list-style-type: none"> ▪ Major function of the system is unavailable affecting multiple users or sites. ▪ Serious reduction in quality of service, or serious reduction in operational and/or system performance, (e.g., system hangs indefinitely in use, causing highly unacceptable or indefinite delays).
3	<ul style="list-style-type: none"> ▪ Configuration error or system fault causing incorrect operation of a function affecting several users or a group of users. ▪ Part of the system is unusable but not preventing users from carrying out their duties. ▪ Problems that are a cause of medium impact on the operation and may have a small but measurable impact on system performance. ▪ Incidents outside of Civica's control.
4	<ul style="list-style-type: none"> ▪ Test database faults. ▪ System error causing inconvenience but no loss of function. ▪ General customer queries and advice. ▪ Minor problems that do not affect the day-to-day use of the system.
5	<ul style="list-style-type: none"> ▪ Request for upgrade or fix to be applied. ▪ Information requests. ▪ Observation about the system. ▪ Non urgent requests for service.

LGPC Bulletin 215 – October 2021

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

This bulletin contains important updates for all LGPS stakeholders. It includes the following important articles which need action by certain stakeholders:

- [Raising queries with HMRC](#)
- [Reporting multiple small pots through RTI](#)
- [‘How to avoid the Ombudsman’ guidance](#)
- [Start preparing for dashboard onboarding](#)
- [September 2021 CPI rate announced](#)

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

SAB cost management result published

On 15 October 2021, [SAB published the result of its cost management process](#) for the 2016 scheme valuation. Although the Board reached agreement on how to include McCloud costs in the process in the summer, it was not able to publish the outcome until HM Treasury (HMT) published the Cost Cap Directions 2021 (see [article](#) later in this bulletin).

SAB agreed to spread McCloud costs over a 10 year period (rather than the four years used in the HMT process), resulting in an outcome of 19.4 per cent against a target cost of 19.5 per cent. Despite the slight shortfall in cost SAB will not recommend any scheme changes.

Going forward, SAB will revisit tier three ill health and contributions for the lowest paid members. SAB intends to make recommendations in these areas separate from the cost management process.

LGPS England & Wales

New Local Government Minister

[Kemi Badenoch was appointed Minister of State](#) at the Department for Levelling Up, Housing and Communities (DLUHC) on 16 September 2021. Kemi is the Minister responsible for the LGPS, replacing Luke Hall who left the role in September 2021 following a Government reshuffle.

Updated GAD query log

On 4 October 2021 we updated our log of queries with the Government Actuary Department.

We updated the query about outgoing transfers to make clear, in our view, where a member takes flexible retirement, they cannot elect to transfer their remaining benefits out of the LGPS (Club or non-Club).

The query log can be found in the [Actuarial guidance](#) page of www.lgpsregs.org.

SF3 data published

On 27 October 2021, DLUHC published [Local government pension scheme statistics](#) (SF3 statistics) for England and Wales: 2020 to 2021. Highlights include:

- total expenditure of £13.4 billion

- total income of £17.2 billion, an increase of 7.5 per cent on 2019/20
- employer contributions increased by 32.46 per cent on 2019/20 to £10.2 billion
- employee contributions of £2.4 billion
- the market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, an increase of 22.14 per cent
- there were 6.1 million scheme members on 31 March 2021, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
- there were 82,567 retirements in 2020/21, a decrease of 6.4 per cent compared with 2019/20.

HMT

HMT publishes consultation response on the cost control mechanism

On 4 October 2021, HM Treasury (HMT) published its response to the Public Service Pensions: cost control mechanism consultation (see [bulletin 211](#)).

The [Government's response](#) confirms it will proceed with all three proposed reforms:

- moving to a reformed scheme only design so that the mechanism only considers past and future service in the reformed schemes. Costs related to legacy schemes are excluded
- the cost corridor will be widened from two per cent to three per cent of pensionable pay
- introducing an economic check so that a breach of the mechanism will only be implemented if it still would have occurred had the long-term economic assumptions been considered.

The Government is aiming to implement all three proposals in time for the 2020 valuations. It will work with the DLUHC and LGPS stakeholders to consider:

- the most appropriate way to implement the reformed scheme only design in the LGPS (including how to treat the underpin)
- whether it is desirable for the SAB process to be adapted in line with the principles of the economic check.

The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2021

On 7 October 2021, HMT published the [Public Service Pensions \(Valuation and Employer Cost Cap\) \(Amendment\) Directions 2021](#).

In February 2019, HMT paused the cost cap element of the 2016 valuations. This was due to the uncertainty regarding the cost following the McCloud and Sargeant litigation. There is now sufficient certainty regarding the costs and this direction allows schemes to conclude their 2016 valuations.

HMRC

Countdown bulletin 56

On 11 October 2021, HM Revenue and Customs (HMRC) published [Countdown bulletin 56](#). The bulletin looks at the delay in the closure of scheme cessation and scheme reconciliation eRooms and how to raise queries with HMRC.

Action for administering authorities

Review the guidance for raising a query with HMRC and where necessary update your procedures.

Pension schemes newsletter 133

On 30 September 2021, HMRC published [Newsletter 133](#).

The newsletter announces a delay to the date scheme administrators will be able to view a list of schemes they need to migrate on to the Managing pension schemes service. This was initially 19 October 2021. The list will be available in November 2021. HMRC will give a further update in the next newsletter.

The newsletter also gives revised instructions when reporting multiple small pot payments through Real Time Information (RTI).

Action for administering authorities

Make sure you comply with the guidelines when reporting multiple small pot payments through RTI.

DWP

Simpler annual benefit statements

The Government laid the Occupational and Personal Pension Schemes (Disclosure of Information) (Statements of Benefits: Money Purchase Benefits) (Amendment) Regulations 2021. These are effective from 1 October 2022. At the same time, the Department for Work and Pensions published their response to the consultation

held earlier this year on Simpler annual benefit statements together with draft statutory guidance and regulations.

For further information see the [Government webpage](#).

Public sector pension schemes (including AVCs) are not in scope of the legislation and guidance. The experience in the defined contribution sector may be used to learn lessons that could be applied to other schemes in the future.

TPO

New webpage on how to avoid the Ombudsman

In October 2021, the Pensions Ombudsman (TPO) launched a new page on its website called '[How to avoid the Ombudsman](#)'. It contains 'top tips', links to case studies, key determinations and new frequently asked questions.

TPO also published a [guidance note on communicating with pension scheme members](#). The note sets out simple steps that can be taken to resolve pension disputes and complaints without the need for TPO to be involved.

Action for employers and administering authorities

Review the guidance and check if you need to update your complaint procedures and communications.

Other news and updates

All-party parliamentary group publishes responsible investment report

The [Just Transition report](#), published by the all-party parliamentary group for local authorities, calls on government to make a firm and comprehensive commitment to a just transition to net zero and to set up a UK-wide Just Transition Commission.

The report is based on a nine-month inquiry by the All-Party Group, led by Clive Betts MP, into 'Responsible investment in a just transition'. The report stresses the urgent need for climate action but highlights the economic and financial risks if the shift to net zero fails to take account of the uneven impacts on workers, communities, consumers, and supply chains.

Autumn budget 2021

On 27 October 2021 the Government announced its [Autumn 2021 budget](#) and spending review.

Of particular interest to the LGPS is the publication of the Government's response to the Call for Evidence on pensions tax relief administration (see [bulletin 200](#) for further information).

[The Government's response](#) announces that it will introduce a system to make top-up payments directly to low-earning members using the net pay arrangements. This will broadly equalise the outcomes for all low earning pension savers. Unfortunately, the top up payment will not be automatic, members will need to claim the top up payment directly from HMRC.

Top-up payments to members will commence in 2025/26 regarding the 2024/25 tax year. The response claims an estimated 1.2 million individuals could benefit by an average of £53 a year.

LGPC minutes

On 15 October 2021 we published the draft minutes of the Local Government Pensions Committee (LGPC) meeting held on 27 September 2021. You can find them on the LGPC minutes pages of www.lgpsregs.org and www.scotlgpsregs.org. Topics discussed included:

- LGPC subscriptions
- an additional post to focus on LGPS employers
- regulation updates from LGPS England and Wales, Scotland and Northern Ireland
- Prudential's performance.

The next hybrid meeting will be held on 13 December 2021.

National LGPS frameworks update

The [National LGPS frameworks October update](#) provides information about new and expiring frameworks.

National LGPS Technical Group minutes

On 6 October 2021, we published the minutes of the National LGPS Technical Group meeting held on 1 October 2021. These are found on the Technical group pages of www.lgpsregs.org and www.scotlgpsregs.org. Topics discussed included:

- McCloud
- Pensions Dashboards
- claims management companies
- historical information covering pensions liberation
- disclosure for active annual benefit statements

- pensionable emoluments for electric vehicles.

The next meeting will be held virtually on 7 December 2021.

Unsuitable pension advice customers eligible for compensation

The Financial Conduct Authority (FCA) has written to a total of 3,951 defined benefit (DB) pension transfer advice customers to tell them they might be eligible for compensation. Letters have been sent to customers of firms in liquidation where past business reviews have identified that the firm has given unsuitable advice to some customers. The letters direct customers to the FCA's DB pension transfer advice checker to help them decide whether the advice they received was suitable or not.

The FCA has also published a full list of firms who are in insolvent liquidation and have given unsuitable advice to some customers. The list currently covers 10 firms and will be kept up to date as the work continues.

For further information see the [FCA webpage](#).

Pensions Dashboards Programme

Call for input on staging summary

Earlier this year the Pensions Dashboards Programme (PDP) ran a staging call for input (see [bulletin 210](#) for further information). [We responded on 5 July 2021](#).

The PDP received just over 60 responses to the call for input from a variety of stakeholders. These will be used to feed into further policy development of pension dashboards. It has published a [summary of the key themes](#) drawn from the responses:

- the provision of estimated retirement income projections could impact the policy objectives and staging principles
- the need for greater clarity around data and the digital architecture's technical requirements before accurate estimates about staging times can be provided
- where staging times were estimated, around three-quarters suggested that 12 months or more (up to 24 months) would be required
- just over half of all respondents agreed with the recommendation that the largest defined benefit schemes should stage from Autumn 2023 and all defined benefit schemes with 1,000+ members should stage within the first wave (half of those that agreed were either defined benefit schemes or public service schemes)

- the majority of the concerns from public service pension schemes centred around McCloud and the associated administrative issues as a reason for not staging within the first wave
- consumer testing will be an important part of how dashboards are executed, highlighting the need for additional tools, system messaging and an education and awareness campaign to promote the benefits of dashboards
- concerns about limiting the scope of dashboards to exclude pensions in payment
- general uncertainties on the following:
 - data – specifically what view data, especially early retirement income, will have to be returned
 - data protection and liability
 - connection requirements
 - response times
 - identity verification and assurance process
 - matching protocols
 - Integrated Service Provider (ISP) market dependency
 - McCloud for public service schemes
 - competing priorities – Guaranteed Minimum Pension equalisation, simpler annual benefit statements, small pots, transformation programmes.

Draft regulations for pensions dashboards

Chris Curry, Principal of the PDP, announced in October 2021 that draft regulations on pensions dashboards are expected to be published before the end of 2021 or early in 2022. This follows on from the enactment earlier this year of the Pension Schemes Act 2021 (see [bulletin 206](#) for further information). The draft regulations will provide more information about the data standards, what data will have to be supplied and how pension providers will need to provide it.

October 2021 progress report

On 26 October 2021, PDP published its [latest progress report](#). The report strongly emphasises the need for schemes to act now before legislation compels schemes to do so.

Action for administering authorities

You should start preparing for dashboard onboarding by considering whether you wish to use an ISP to connect to the dashboard ecosystem, cleansing your data and ensuring you have adequate resources to prepare for the dashboard connection.

Testing for potential dashboard providers

The PDP is inviting organisations that intend to provide a pensions dashboard to help test the development of the pensions dashboards ecosystem. This will enable potential dashboard providers to influence the design of pensions dashboards and help identify any challenges with connecting to the central technical architecture.

For further information organisations are invited to [contact PDP](#).

PLSA 'Landscape and Future Challenges survey'

On 14 October 2021, Gareth Brown emailed administering authorities with a [short survey on behalf of the Pensions and Lifetime Savings Association](#) (PLSA).

The PLSA is seeking views on the major administration issues and challenges facing the LGPS. The results will be published in a report towards the end of 2021.

September 2021 CPI rate announced

On 20 October 2021, the Office for National Statistics announced [the Consumer Prices Index \(CPI\) rate of inflation for September 2021 as 3.1%](#).

Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2022 will be 3.1 per cent.

Training

Fundamentals training programme

Day 1 of our Fundamentals training programme took place in October 2021. Days 2 and 3 will take place in November and December. The training will take place in three locations: London, Leeds and Cardiff. The London sessions will be hybrid, so delegates can choose to attend in person or virtually. The sessions in Leeds and Cardiff will be face to face only. Places are filling up fast, so 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 for online attendance on the booking page to activate the reduced rate.

You will need to make bookings for virtual attendance separately from any face to face bookings in order to use the code.

You can only book through the [LGA events page](#). We have provided links to each event below for your convenience.

9 November: Day 2 London	Etc Venues – use code HYB for online
18 November: Day 2 Leeds	Park Plaza Hotel
23 November: Day 2 Cardiff	Marriott Hotel
2 December: Day 3 London	Etc Venues – use code HYB for online
8 December: Day 3 Leeds	Park Plaza Hotel
15 December: Day 3 Cardiff	Marriott Hotel.

LGPS Governance Conference 2022

Booking is open for the LGPS Governance Conference 2022. The title of the conference is 'Climate forecast for the LGPS; (Mc)Cloudy or bright?'. [See our flyer for more details](#).

The conference is taking place on 20-21 January 2022 in Bournemouth. You can attend the conference in person or join us online.

The conference is aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected members, trades union representatives, member and employer representatives, as well as a variety of officers who attend and support committees.

You can book and view the programme and current list of confirmed speakers using the links below:

- [book to attend in person](#)
- [book to attend virtually](#).

Insight Residential Course

We are pleased to announce that booking is now open for the Insight Residential Course taking place from Monday 21 February to Thursday 24 February 2022 in Blackpool.

The course is suitable for pensions administration staff and HR/finance/payroll staff where the pension function plays a significant part in their day-to-day role.

Being a foundation course, the content is aimed at staff who are relatively new to pensions, as well as those who have some experience but want to better understand their own and others' responsibilities under the Scheme.

You can find out more and book a place on the [LGA's events page](#).

Wider landscape

DB master trust self-certificates introduced

A self-certification regime for defined benefit (DB) master trusts has been launched. This is to help scheme trustees and employers who may be considering DB master trusts as a consolidation option to understand the key features.

[The master trust self-certificates](#) are a standard template allowing DB master trusts to provide information on their structure and how they operate.

GMPEWG publishes anti-franking guidance

The cross-industry Guaranteed Minimum Pension Equalisation Working Group (GMPEWG), published [supplemental guidance allowing for anti-franking when achieving GMP equality](#). The guidance explains why anti-franking is important in the

equalisation journey, highlights the potential significance of the later earnings addition and suggests approaches to deal with the key areas of uncertainty.

NHSPS consultation on member contributions

The Department of Health and Social Care published a consultation on proposed changes to member contributions in the National Health Service Pension Scheme (NHSPS). The consultation seeks views on a new member contribution structure. The proposed changes recognise that all members of the NHSPS will build up career average benefits from 1 April 2022. The consultation closes on 7 January 2022.

PASA expands Board and appoints new Director

On 5 October 2021, the Pensions Administration Standards Association (PASA) announced [the appointment of Emma Watkins as Board Director](#) effective from 1 October 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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LGPC Bulletin 216 – November 2021

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

This bulletin contains updates for all LGPS stakeholders. It includes important articles on:

- [SPPA consultation on amendment regulations](#)
- [submitting event report data to HMRC by email](#)
- [new restrictions on transfers to prevent pension scams](#) in operation from 30 November 2021
- [the introduction of the Finance \(No.2\) Bill 2021/22](#) which increases the normal minimum pension age from 2028.

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

UN letter about investments in the Israeli settlement economy

On 22 November 2021, Michael Lynk, United Nations (UN) Special Rapporteur on the Palestinian Territories sent a [letter to all LGPS pension committee chairs](#). The letter asks a number of questions of LGPS administering authorities concerning investment in companies that may be involved in the Israeli settlement economy.

The Scheme Advisory Board (SAB) will discuss the letter when it meets on 13 December 2021. In the meantime, the Chair and secretariat will seek clarification on the issues raised in the letter. Administering authorities may wish to wait for that clarification before responding to the letter.

Code of transparency updated

The SAB consulted Code signatories on changes to the Code of Transparency over the summer. The amended Code was approved by the SAB at their meeting on 27 September 2021. You can find the updated Code wording on the [Code of Transparency](#) page of the Board website.

LGPS Scotland

Advisory Board papers for meeting on 24 November 2021

The Scottish Local Government Pension Scheme Advisory Board last met on 24 November 2021. You can access the papers for the meeting and the minutes for the meeting held on 22 September 2021 at www.lgpsab.scot.

Digital signature function added to APC calculator

We have updated the application form on the [additional pension contribution \(APC\) calculator](#) to allow applicants to enter a digital signature and date. Applicants have the option of either:

- downloading and printing a pdf version that they can sign by hand
- entering a digital signature and date (the applicant can then email the form to the employer / administering authority, as appropriate).

Action for administering authorities

If your members use the application form on the APC calculator, please let your employers know about the digital signature function.

SPPA launches consultation on draft amendment regulations

On 1 November 2021, the Scottish Public Pensions Agency (SPPA) launched a consultation on the draft Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021.

In the main, the regulations propose to:

- clarify the rules allowing deferred members who left before 1 April 2015 to elect for early payment between 55 and 60 without needing their former employer's consent
- allow pension credit members who were awarded the credit under the Local Government Pension Scheme (Scotland) Regulations 1998 or under the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 to elect for early payment at a reduced rate on or after age 55, rather than on or after age 60
- clarify the underpin calculation so that the comparison considers any actuarial reductions and increases
- amend how survivor partner pensions are calculated so that male survivors of opposite-sex marriages, survivors of same-sex marriages and surviving same-sex civil partners are placed in a similar position to female survivors of male married members. The amendments apply to all deaths on or after 5 December 2005
- amend how cohabiting partner pensions are calculated so that all membership is used if the cohabiting partnership was entered into before the member left the Scheme. The amendments apply to all deaths on or after 1 April 2015
- provide more flexibilities when dealing with exiting employers
- allow amendments to employer contribution rates in between valuations
- amend the cost cap figure from 15.5 per cent to 15.2 per cent, correcting an error identified by the Government Actuary's Department.

You can view the consultation documents on the [Scheme consultations](https://www.scotlgpsregs.org) page of www.scotlgpsregs.org.

The consultation closes on 7 January 2022. We will be submitting a response, which we will share in advance of the closing date.

Action for administering authorities

Please publicise the consultation to your scheme employers.

HMRC

Annual and lifetime allowance event report data 2020/21

On 10 November 2021, Lorraine Bennett forwarded an email from HMRC to all administering authorities.

The email confirms that HMRC is prepared to accept the annual allowance event report data for 2020/21 on an excel spreadsheet, rather than through the event report. You must submit this data by 31 January 2022.

The data required for each member is:

- name (Title, first name, surname)
- National Insurance number
- aggregate Pension Input Amounts for the scheme
- tax year ending
- have you provided this member with a pension saving statement under regulation 14A(1)(b)(ii) SI 2006/567 (Money purchase pension savings statement)?
- if yes, provide the aggregate Pension Input Amounts for money purchase arrangements.

You must supply the data on a MS Excel spreadsheet encrypted via Winzip.

HMRC has not yet updated the event report to include lifetime allowance protections that members applied for online. You can also submit these details to HMRC on a password-protected spreadsheet. You must submit this by 31 January 2022.

If you choose to supply information to HMRC in this way, this is at your own risk.

Action for administering authorities

Review the email and follow the instructions when submitting the annual and lifetime allowance event report data for 2020/21.

Pension schemes newsletter 134

On 29 October 2021, HMRC published [Pension schemes newsletter 134](#). The newsletter includes articles on:

- Measures announced by the Government in the Autumn Budget:
 - the introduction of top-up payments to low-earning individuals who contribute to a pension scheme that operates a net pay arrangement. These top-up payments will be payable from the 2024 to 2025 year onwards
 - extending the Scheme pays reporting and payment deadlines, as we reported in [Bulletin 212](#).

You can read more about the introduction of top-up payments to low earning individuals in the [GAD technical bulletin on the Autumn Budget 2021](#).

- Migration to the Managing pension schemes service:
 - the list of pension schemes that need to migrate on to the Managing pension schemes service will be available mid to late November
 - you must enrol on the Managing pension schemes service to view a list of your pension schemes
 - if you enrol on the Managing pension schemes service incorrectly, you will need to wait 24 hours before you de-enrol.
- New security measures when accessing your business tax account.

Managing pension schemes service newsletter

On 18 November 2021, HMRC published their latest Managing pension schemes service newsletter. The newsletter contains updates on:

- Pension scheme migration – administrators can now view a list of schemes they need to migrate to the Managing Pension Schemes service. Only pension scheme administrators can view the list of schemes. You must be enrolled on the Managing Pension Schemes service to see the list.
- Only schemes with a status of ‘open’ on the Pension Schemes Online service are on the list. You will need to contact migration.mps@hmrc.gov.uk about any inactive schemes, missing schemes or schemes listed that you do not recognise.
- Guidance on how to [prepare to migrate your pension schemes](#) to the Managing Pension Schemes service.
- Special arrangements for organisations with multiple scheme administrator IDs and practitioners with multiple IDs.

- Future developments of the service.
- Appendix A of the newsletter provides information on setting up users and assigning access to the Managing Pension Schemes and Pension Schemes Online services

Pension schemes newsletter 135

On 30 November 2021, HMRC published [Pension schemes newsletter 135](#). The newsletter includes articles on:

- migration to the Managing Pension Schemes service which was covered in the previous article
- how to request deletion of a scheme administrator ID if you are no longer acting for any pension schemes
- a request that you remind members who have incurred an annual allowance tax charge in 2020/21 to declare this in their Self Assessment tax return. They will need to do this if they do not have sufficient unused allowance to carry forward. They will also need to declare an annual allowance tax charge if they have elected for Scheme pays
- a reminder to use the correct charge reference when you are paying Accounting for Tax charges.

Policy paper: Taxation of public service pension reform remedy

On 27 October 2021, HMRC published a [Policy paper on the taxation of public service pension reform remedy](#). The paper outlines changes to the tax regime that are required to implement the McCloud remedy in the unfunded public service pension schemes.

Provisions will be made in the Finance (No.2) Bill 2021-22 concerning:

- making compensation payments paid to a member who has been underpaid exempt from tax charges
- allowing individual protection 2016 to be based on the higher of the two pension choices available under deferred choice
- increasing annual allowance so any annual allowance charge is not more than the member would have paid if they had been in their chosen scheme in the relevant payment input period
- a tax charge paid in one scheme will be deemed to have been paid in the scheme the member chooses, if different

- late payment of pension and lump sums will be treated as meeting the conditions to be authorised if they would have been authorised payments had they been made at the relevant time.

We await information on how similar protections will be introduced for LGPS members.

DWP

DWP updates guidance on pensions after Brexit

On 1 November 2021, the Department for Work and Pensions (DWP) updated its [guidance on Benefits and pensions for UK nationals in the EU, EEA or Switzerland](#).

The guidance explains the rights of UK nationals in the EU, the European Economic Area (EEA) or Switzerland to benefits and pensions. The latest updates cover UK nationals living in Switzerland.

TPO

TPO stakeholder survey

The Pensions Ombudsman (TPO) is seeking your views on how you think it is doing and where it can improve things. TPO would be grateful if you could complete the [Stakeholder survey](#) which is open until Wednesday 8 December 2021.

One of TPO's strategic goals is to support and influence the pensions industry and the wider alternative dispute resolution sector to deliver effective dispute resolution. Your feedback is important as it will help to shape TPO's future planning, identify areas for improvement and improve the complaints process for its customers.

Other news and updates

Pension scams: new restrictions on transfers

On 8 November 2021:

- the Government published its [Response to Pension scams: empowering trustees and protecting members consultation](#)
- [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) [SI 2021/1237] were laid
- the Pensions Regulator (TPR) published [TPR guidance on dealing with transfer requests](#).

You can find links to the consultation documents and the LGA response on the:

- [Non-scheme consultations](#) page of www.lgpsregs.org and
- [Non-scheme consultations](#) page of www.scotlgpsregs.org.

The regulations take effect from 30 November 2021. They introduce further legal restrictions on a member's statutory right to transfer. The regulations give administering authorities tools to act if they have suspicions about the circumstances that have led the member to request a transfer. The member will no longer be able to insist on a statutory transfer taking place in these circumstances.

These changes will affect the payment of cash equivalent transfers for:

- deferred members who request a statement of entitlement on or after 30 November 2021 (main scheme benefits only)
- AVC members who elect for payment of a transfer on or after 30 November 2021
- pension credit members who elect for payment of a transfer on or after 30 November 2021 (main scheme and / or AVCs).

These regulations do not apply to the payment of cash transfer sums ie deferred refunds, nor to pensions on divorce transfers.

There are two key new measures: decision making and disclosure.

Decision making

Transfers to UK public service schemes, master trusts and collective money purchase schemes can continue without further checks. Before transferring to any other type of scheme, the administering authority must decide if there are any red flags or amber flags present. See the [TPR guidance on dealing with transfer requests](#) for more information on red and amber flags.

If there are any red flags present, you must not pay the transfer.

If there are any amber flags present, you must pause the transfer until the member can provide evidence that they have received pension scams guidance from [MoneyHelper](#). Members will be able to book guidance sessions with MoneyHelper from 30 November 2021.

Disclosure

Disclosure 1: must take place within one month of:

- a deferred member requesting a statement of entitlement (main scheme benefits only)
- a pension credit member electing for payment of a cash equivalent
- an AVC member electing for payment of a cash equivalent.

The administering authority must notify the member that the transfer can only proceed if there are no red flags present or the transfer is to be paid to a public service scheme, master trust or a collective money purchase scheme. You do not have to disclose this information if the cash equivalent is paid within one month of the request or election listed above.

Disclosure 2: Once you have made a decision about whether a transfer can proceed, you must notify the member. You must do this:

- by no later than the date you send the member confirmation that the transfer has been made, or
- within seven working days of the decision.

Support from the LGA

The regulations are significantly different from the draft regulations originally published with the consultation. Once we have had time to digest the full impact of the regulations and guidance, we will update the Non-Club transfer guide and acknowledgement letter. In the longer term, we will provide a new suite of declaration forms and template letters.

Action for administering authorities

Review the TPR guidance and amend your procedures and communications accordingly. The [TPR guidance on dealing with transfer requests](#) includes a handy flowchart that sets out the transfer process.

Finance (No.2) Bill 2021/22

On 2 November 2021, HM Treasury (HMT) formally introduced the Finance (No.2) Bill 2021/22 to Parliament. The Bill includes a number of provisions that may affect the administration of the LGPS.

Clause 9: Changes to annual allowance scheme pays deadlines

This clause changes deadlines associated with mandatory scheme pays. The period within which some members must give notice of their election will be extended. The deadline for administrators to provide information about annual allowance tax charges will also change.

Clause 10: Increase in normal minimum pension age

This clause introduces an increase in the normal minimum pension age (NMPA) to age 57 from 6 April 2028. The clause includes significant changes from the proposed policy that was consulted on between February and April 2021.

- Members of uniformed services pension schemes will be exempt from the increase to the NMPA.
- Members of registered pension schemes who had a right to take their entitlement to a benefit under their scheme before age 57 before 4 November 2021 will have a protected pension age. A protected pension age will only affect the age at which an LGPS member can take their pension if the responsible authority makes changes to the scheme rules to implement the protected pension age. We do not yet know whether the responsible authorities plan to make such changes.
- Members will continue to benefit from a protected pension age after completing either an individual or block transfer. The Bill will introduce transitional measures for members who had already started the process to transfer to a scheme in which they would have a right to take their benefit before NMPA, providing the transfer process started before 4 November 2021.
- Members who join the LGPS from 4 November 2021 will not meet the entitlement condition.

It is important to note that this Bill is currently in draft form. However, administering authorities may wish to consider making changes to their processes now to reduce the likelihood that they will have to re-visit transfer cases in the future. Those changes include:

- Requesting additional information when a member who joined the LGPS on or after 4 November 2021 completes a transfer of pension rights from another scheme. Administering authorities should ask the transferring scheme whether the member met the entitlement condition in their scheme, specifically:

- did the member have an actual or prospective right under the pension scheme to any benefit from an age less than 57 immediately before 4 November 2021?
- did the rules of the pension scheme on 11 February 2021 include provisions conferring such a right on some or all members of the scheme? And
- did the member have such a right on 11 February 2021, or would they have had such a right if they had been a member on that date?

The effect of the answer to this question will depend on what changes are made to the LGPS regulations.

- When a member who joined the LGPS before 4 November 2021 transfers out, informing the receiving scheme that the member met the entitlement condition in the LGPS.
- When a member who joined the LGPS on or after 4 November 2021 transfers out, informing the receiving scheme that the member did not meet the entitlement condition in the LGPS. You may need to supply additional information if the member's LGPS benefits include a transfer in that has been 'ringfenced' – see below.
- 'Ringfencing' benefits that a member who met the entitlement condition in their previous scheme transfers into the LGPS, if the member first joined the LGPS on or after 4 November 2021. You may wish to engage with your software suppliers to discuss how this can be achieved.

Action for administering authorities

Consider the process changes above and contact your software supplier concerning the system changes that may be needed to accommodate them.

Clause 11: Tax impacts resulting from the McCloud remedy

The clause provides HMT with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Provisions made under this section may be retrospective and may be different for different member types. The changes will have effect from 6 April 2022 or later.

Further reading

Use the links below to find out more about the Finance (No.2) Bill 2021/22:

- [Bulletin 212](#) covers the changes in scheme pays deadlines
- you can find links to the NMPA consultation documents and the LGPC response on the [Non-Scheme consultations](#) page of www.lgpsregs.org
- the [Parliamentary briefing paper on the NMPA](#) provides background to this policy
- the [policy paper on Taxation of public service pension reform remedy](#) covers changes to the tax regime in response to the McCloud remedy
- you can follow the [progress of the Finance \(No.2\) Bill 2021/22](#) on the UK Parliament website.

Legal challenge: McCloud costs and cost control mechanism

Unions have launched a judicial review against the Treasury concerning including McCloud remedy costs in the cost control mechanism. The FBU, GMB and BMA argue that the cost of rectifying the discrimination should not be met by scheme members.

The provisional results of the 2016 cost control mechanism showed that all public service schemes were cheaper than expected. This would have led to a reduction in contributions or improvements in benefits from April 2019 had the cost control process not been paused.

Proposed amendments to the PSPJO Bill

Amendments to the Public Service Pensions and Judicial Offices Bill (PSPJO) have been proposed. You can read the proposed changes in the [Marshalled list of amendments to the PSPJO](#). You can find the proposed minor changes to Clause 73 that specifically relate to the LGPS on page 29. You can follow the [progress of the PSPJO Bill](#) on the UK Parliament website.

Pensions Dashboards Programme November newsletter

The Pensions Dashboards Programme (PDP) has published its [November Newsletter](#). The newsletter includes links to:

- the PDP director's blog reflecting on recent achievements and looking forward to activity in the next few months
- the October progress update report
- dashboard providers' update, and confirms that successful applicants to help test the pensions dashboards ecosystem will be announced in December

- the identity hub which provides information about the approach to procuring an identity service
 - the technical glossary which includes definitions of key terminology.
-

Training

Training focus group

We plan to set up a training focus group in the coming weeks. The group will assist us in putting together our training plan for practitioner training.

We would like one or two representatives from each regional Pensions Officer Group (POG) to join the group. This will be an ongoing commitment with virtual meetings twice a year. We will be contacting POG chairs directly to ask for volunteers to join the group.

LGPS Governance Conference 2022

Booking is open for the LGPS Governance Conference 2022. The title of the conference is 'Climate forecast for the LGPS; (Mc)Cloudy or bright?'. [See our flyer for more details.](#)

The conference is taking place on 20-21 January 2022 in Bournemouth. You can attend the conference in person or join us online.

The conference is aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected members, trades union representatives, member and employer representatives, as well as a variety of officers who attend and support committees.

You can book and view the programme and current list of confirmed speakers using the links below:

- [book to attend in person](#)
 - [book to attend virtually.](#)
-

Wider landscape

TPS grant guidance updated

On 28 October 2021, the Government updated its [guidance on pension grants for schools, local authorities and music hubs](#). The guidance covers the grant for the financial year 2021 to 2022.

Updates from PASA

Recent updates from the Pensions Administration Standards Association (PASA):

- The PASA GMP working group published a [briefing note on GMP reconciliation data and transition to a new administration provider](#) on 9 November 2021. The briefing note addresses how data related to GMP reconciliation should be treated if you change administrators.
- PASA launched their new [Data Management Controls Guidance](#) on 11 November 2021. The guide aims to provide practical support for administrators in developing their own data management controls to ensure data remains in good shape.
- [PASA announced ITM as their new expert partner for pensions dashboards](#). ITM will assist PASA in ensuring the administration industry's challenges and voices are heard as pensions dashboards are being developed.

Legislation

Statutory Instruments

[The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) [SI2021/1237]

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 \(England and Wales\)](#)

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[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.

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LGPC Bulletin 218 – December 2021

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

This bulletin contains important updates for all LGPS stakeholders. It includes the following important articles which need action by certain stakeholders:

- [Scotland Bulletin 217](#) explaining the regulatory changes over the past 3 years
- [SPPA extends consultation response deadline](#) to 21 January 2022 on draft amendment regulations
- [Pension scams: new restrictions on transfers](#), ensure your processes and communications are up to date
- [Pensions dashboards – A to Z industry guide](#), start preparing for pensions dashboards
- [Pensions dashboards data matching guidance published](#), start to review personal data

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

Scheme member representation in asset pools

On 17 December 2021, the SAB [expressed its disappointment](#) that ACCESS, which is an LGPS asset pool, continues not to have adopted SAB's policy on including member representation in its governance arrangement.

The SAB strongly urges representatives of the fund authorities to re-consider the position and to extend its governance arrangements to include scheme member representation, either as full members with or without voting rights, or as observers.

UN letter about investments in the Israeli settlement economy

At its meeting on 13 December 2021, the SAB discussed the letter from Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories. Mr Lynk sent the letter to LGPS committee chairs in November 2021, which we covered in [Bulletin 216](#). The SAB [has agreed](#) that the Chair and Vice Chair will engage with the chair of the Local Authority Pension Fund Forum (LAPFF) to discuss a response. The SAB also agreed for the secretariat to liaise with Mr Lynk to arrange a meeting early in the new year.

LGPS England & Wales

DLUHC consultation on Oasis consolidation

On 9 December 2021, the Department for Levelling Up, Housing and Communities started a second consultation on the proposed consolidation of Oasis multi-academy trust into one LGPS fund. Oasis currently participate in 16 LGPS funds.

An initial consultation took place between 1 and 30 June 2021. However, a second consultation is taking place to allow those affected by the proposal more time to consider and respond.

The consultation is only open to those bodies appearing to be affected by the proposed consolidation. It closes on 17 February 2022.

Section 13 report

On 16 December 2021, DLUHC published [GAD's report on the 2019 fund valuations](#). The report is required by section 13 of the Public Service Pensions Act 2013.

The Government Actuary's Department (GAD) found the scheme's financial position had strengthened since its previous review in 2016, on the back of buoyant

investment returns between 2016 and 2019. Also, LGPS funds have made progress against the 2016 review recommendations.

The main findings are:

- Compliance - fund valuations were compliant with relevant regulations.
- Consistency - funds implemented GAD's 2016 recommendation to provide a standard dashboard to aid readers when comparing of results for different funds. However, differences in methodology and assumptions do mean that a like for like comparison is not straightforward.
- Solvency - the size of pension funds has grown considerably more than local authority budgets since 2016, so there's an increased risk of strain on employers from any future funding changes.
- Long-term cost efficiency - where relevant, funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four funds they are concerned about the level or trajectory of employer contributions and the implications for taxpayers.

Next steps

GAD's recommendations for funds or the Scheme Advisory Board to consider during the local valuations in 2022 include:

- improve consistency in the approach to assessing emerging and existing key issues, such as recent legal judgements and setting employer contributions for new academies
- ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan
- continue with ongoing improvements on transparency through an expanded valuation dashboard
- review the governance around asset transfer arrangements from local authorities.

SF3 revised statistics released

On 21 December 2021, DLUHC published [revised SF3 statistics](#) for 2020/21.

DLUHC published the SF3 statistics for 2020/21 on 27 October 2021, which we covered in [Bulletin 215](#). The statistics were based on data provided by 83 of the 85 administering authorities, which in some cases was based on provisional accounts data. Where data was based on provisional accounts, authorities were asked to submit revised data if their audited figures were significantly different.

Since then, DLUHC has received the data from two authorities who did not provide it in time for the October 2021 release. Also, DLUHC received revised data from a further six authorities. This data is reflected in the revised SF3 statistics.

LGPS Scotland

Scotland bulletin 217

On 9 December 2021, Steven Moseley emailed administering authorities in Scotland to let them know we have published [Scotland bulletin 217](#).

The bulletin gives a commentary on the changes made by the following regulations:

- [Local Government Pension Scheme \(Scotland\) Regulations 2018](#) [2018/141]
- [Local Government Pension Scheme \(Miscellaneous Amendments\) \(Scotland\) Regulations 2019](#) [2019/161]
- [Local Government Pension Scheme \(Miscellaneous Amendments\) \(Scotland\) Amendment Regulations 2019](#) [2019/204]
- [Local Government Pension Scheme \(Miscellaneous Amendments\) \(Scotland\) Regulations 2020](#) [2020/31]
- [Parental Bereavement Leave and Pay \(Consequential Amendments to Subordinate Legislation\) Regulations 2020](#) [2020/354].

Action for administering authorities

Ensure that your processes, and those of your employers, and communication materials are in line with the changes explained in the bulletin.

SPPA extends consultation deadline on draft amendment regulations

On 21 December 2021, Victoria Antcliff from the Scottish Public Pensions Agency (SPPA), emailed administering authorities confirming that the consultation on the Local Government Pension Scheme (Scotland) (Amendment) Regulations 2021 will close on 21 January 2022, rather than on 7 January 2022.

SPPA launched the consultation on 1 November 2021, which we covered in [Bulletin 216](#). You can view the consultation documents on [the Scheme consultations](#) page of www.scotlgpsregs.org.

We will submit a response and share this in advance of the closing date.

Action for administering authorities

Please publicise the consultation and the new closing date of the consultation to your scheme employers.

DWP

DWP launch second review of State Pension age

[The review](#) was launched on 14 December 2021. It will consider if the State Pension age (SPa) rules are still appropriate based on the latest life expectancy data and other evidence.

The Pensions Act 2014 requires Government to regularly review SPa and for the latest review to be published by 7 May 2023.

Two independent reports will be commissioned as part of the review:

- the Government Actuary will provide a report assessing the appropriateness of SPa considering the latest life expectancy projections
- Baroness Neville-Rolfe will provide a report on other relevant factors including recent trends in life expectancy and other metrics.

Evidence from across the UK will be considered in the review.

Other news and updates

AVCs and salary sacrifice

In [Bulletin 213](#) we let you know that we had published two guides setting out what administering authorities and employers need to be aware of in relation to salary sacrifice shared cost AVCs. One guide is for England and Wales, the other is for Scotland.

The guides contain a list of providers that offer salary sacrifice shared cost AVCs. It has come to our attention that Scottish Widows should not be listed whereas Clerical Medical should. We will update the guides in due course.

FCA publishes rules for stronger nudge towards Pension Wise guidance

On 1 December 2021, [the Financial Conduct Authority \(FCA\) published its final rules](#) requiring pension schemes regulated by them to provide a stronger nudge to Pension Wise guidance, effective from 1 June 2022.

The Department for Work and Pensions (DWP) consulted on draft regulations, which will implement similar requirements for other pension schemes, such as the LGPS. The consultation closed on 3 September 2021 and we are waiting for the DWP to publish its response. You can access the consultation documents and our response on the non-scheme consultations pages of www.lgpsregs.org and www.scotlgpsregs.org.

Job opportunity at the LGA

We are recruiting for an [LGPS Pensions Adviser - Employers](#).

The successful candidate will lead on the provision of support, guidance and training to LGPS employers. This post is offered as a home or office based contract. The closing date is 3 January 2022.

If you have any questions or would like to discuss the role informally, please contact Lorraine.bennett@local.gov.uk.

LGPC minutes

On 20 December 2021, we published the draft minutes of the Local Government Pensions Committee (LGPC) meeting held on 13 December 2021. These are found on the LGPC minutes pages of www.lgpsregs.org and www.scotlgpsregs.org.

Topics discussed included:

- pensions tax relief
- government response to the pensions scam consultation
- letter from Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories to administering authorities
- annual report survey
- Scheme Advisory Board membership representing academies
- cost management committee report concerning the McCloud remedy
- updates from LGPS Scotland, LGPS Northern Ireland and National LGPS Technical Group.

The minutes will be agreed at the next meeting on 7 March 2022.

National LGPS Technical Group minutes

On 17 December 2021, we published the minutes of the National LGPS Technical Group meeting held on 7 December 2021. These are found on the Technical group pages of www.lgpsregs.org and www.scotlgpsregs.org. Topics discussed included:

- McCloud preparations
- Pensions Dashboards

- the Conditions for Transfers Regulations 2021 and the impact on administering authorities processes and communications
- producing a standard process and communications for administering authorities to use when they receive a data subject access request
- the agreement to produce an historical timeline of pension scam information to help administering authorities deal with transfer out complaints
- the decision not to recommend changing the LGPS regulations to include emoluments for electric vehicles as pensionable
- an update about the poor level of service from Prudential.

The next meeting will be held on 11 March 2022.

Pension scams: new restrictions on transfers

On 17 December 2021, Jayne Wiberg emailed administering authorities to let them know we published version 2.0 of the non-club transfers out technical guide, alongside template letters. These can be accessed on the Administrator guides and documents pages of www.lgpsregs.org and www.scotlgpsregs.org.

The guide is updated to reflect [the Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021 \('the regulations'\)](#). See [Bulletin 216](#) for more information.

The regulations do not replace existing due diligence processes, which we recommend should be in line with the Pension Scams Industry Group's ['Combating Pension Scams: Code of Best Practice'](#). The regulations build on this.

The regulations apply to the payment of cash equivalent transfers for:

- deferred members who request a statement of entitlement on or after 30 November 2021 (main scheme benefits only)
- AVC members who elect for payment of a transfer on or after 30 November 2021
- pension credit members who elect for payment of a transfer on or after 30 November 2021 (main scheme and / or AVCs).

The regulations do not apply to the payment of cash transfer sums ie deferred refunds, nor to pensions on divorce transfers.

Although, the guide does not cover qualifying recognised overseas pension schemes (QROPS) or AVC transfers, the new regulations apply in a similar way to these as they apply to other transfers. The main differences are:

- for transfers to QROPS, members need to demonstrate [a residency link](#) to the country in which the QROPS is based, or, where the QROPS is an occupational pension scheme, either the residency link or employment link
- for AVC transfers, you must let the member know about the new regulations within one month of receiving the election to transfer.

We will be setting out more details about how the new regulations apply to QROPS and AVC transfers in due course.

To support administering authorities in applying the new regulations, we have revised our existing acknowledgement letter and created three new template letters, that you can also use for transfers to QROPS and transfers of AVCs.

Information to be provided to member upon initial enquiry (version 2.0)

The new regulations require administering authorities to notify deferred members applying for statements of entitlement on or after 30 November 2021, that the transfer can only proceed if there are no red flags present or the transfer is to a public service scheme, master trust or collective money purchase scheme. Administering authorities must notify the member within one month of the application. We have updated this letter to include this information.

Information to be provided on payment request of AVCs or pension credits (version 1.0)

The new regulations require administering authorities to notify members who elect to transfer their pension credit benefits or AVCs on or after 30 November 2021, that the transfer can only proceed if there are no red flags present or the transfer is to a public service scheme, master trust or collective money purchase scheme. Administering authorities must notify the member within one month of the election. This letter sets out this information.

Information to be provided on transfer payment (version 1.0)

Once administering authorities have decided about whether the transfer can proceed taking into account the new regulations, they must notify the member. If administering authorities decide that the transfer can proceed, they must notify the member by no later than the date they write to the member confirming that they have paid the transfer. This letter provides this confirmation.

Refusal to transfer (version 1.0)

If administering authorities decide that there are red flags present so they must stop the transfer and notify the member within seven working days of their decision. This letter sets out what you need to tell the member if you decide to stop the transfer.

Action for administering authorities

You will need to review the guide and correspondence to ensure that your transfer-out process is in line with the new regulations.

Pensions dashboards – A to Z industry guide

On 16 December 2021, the Pensions and Lifetime Savings Association published [an A to Z industry guide](#) containing decisions that are required to make the initial pensions dashboards a success. The guide looks at seven key areas covering:

- testing and managing savers' understanding
- integrated service provider technical connections with the digital architecture and dashboards
- GDPR compliance
- clarity on the liability regime
- the definition of view data to be returned
- clarity on the timeline
- regulation of data provision.

The guide is intended to help the people engaged with preparing for pensions dashboards, better understand the key issues to be assessed and resolved.

Action for administering authorities

Administering authorities should review the guide and start preparing for pensions dashboards.

Pensions dashboards – commercial dashboard providers

On 15 December 2021, [the Pensions Dashboard Programme \(PDP\) announced](#) that it has selected three potential dashboard providers to take part in initial development of the dashboards ecosystem: Aviva, Bud and Moneyhub.

In addition to the Money and Pensions Service's non-commercial dashboard, PDP will work with these companies to support the early work on design standards and technology.

Pensions dashboards - blog recaps developments in 2021

On 16 December 2021, Chris Curry, Principal of the Pensions Dashboard Programme (PDP), published [a blog recapping the developments in 2021](#).

In the blog, Chris urges all pension providers to work on their data, so that it is clean, up to date, online and accessible.

Pensions dashboards – data matching guidance

On 7 December 2021, the Pensions Administration Standards Association (PASA) [published initial guidance](#) on the choice of data matching convention, schemes must make ahead of their compliance with the upcoming pensions dashboards legislation.

The guidance details how every pension scheme must choose how they wish to compare ‘find requests’ from dashboard users against the member records they hold. Choice of matching will depend on the accuracy of the personal data held by administering authorities, across all of their deferred and active member records.

The initial guidance does not completely resolve the matching challenges. Questions about liability and maybe matches remain outstanding. Though this is an important step in helping administering authorities prepare for dashboards.

Action for administering authorities

Administering authorities should review the accuracy of the personal data values held for all active and deferred members.

Training

LGPS Governance Conference 2022

Booking is open for the LGPS Governance Conference 2022. The title of the conference is ‘Climate forecast for the LGPS; (Mc)Cloudy or bright?’.

[See our flyer for more details.](#)

The conference is taking place on 20-21 January 2022 in Bournemouth. You can attend the conference in person or join us online.

The conference is aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected members, trades union representatives, member and employer representatives, as well as a variety of officers who attend and support committees.

You can book and view the programme and current list of confirmed speakers using the links below:

- [book to attend in person](#)
- [book to attend virtually.](#)

Wider landscape

McCloud – National Health Service and Teachers Pension Schemes

The Department of Health and Social Care and the Department for Education, are consulting on changes to the [NHS Pension Scheme](#) and the [Teachers Pension Scheme](#) to implement the first part of the McCloud remedy. The consultations propose moving all members, irrespective of their age, into the 2015 CARE schemes on 1 April 2022. The consultations close on 20 and 24 January 2022 respectively.

The second part of the McCloud remedy will look at removing the effect of transitional protection. This will be achieved by offering eligible members a choice over the set of benefits (final salary scheme or 2015 CARE scheme) they wish to receive for any membership during the period 1 April 2015 to 31 March 2022.

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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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 219 – January 2022

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

This bulletin contains updates for all LGPS stakeholders. It includes important articles on:

- [Pension schemes newsletter 136](#)
- [DWP responds to nudge consultation](#)
- [Addendums to the non-Club guide for QROPS and AVC transfers published](#)
- [Data protection considerations for overseas transfers](#)
- [NI Database and deceased members](#)

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

December 2021 meeting

The SAB met on 13 December 2021. The meeting covered the following topics:

- Prudential
- cost transparency
- new Compliance and Reporting Committee
- letter from Michael Lynk.

You can find a summary note of the meeting on the [Board Updates](#) page of www.lgpsboard.org. You can also find full details of the meeting and agenda papers on the [Board Meetings](#) page.

The SAB will next meet on 7 March 2022.

Statement on fund representation amended

The SAB amended its [statement on member representation within LGPS pool governance structures](#) on 25 January 2022.

The statement was originally published in December 2021 and expressed disappointment that ACCESS, which is an LGPS pool, continues not to have adopted SAB's policy on including member representation in its governance structure.

The SAB has amended the statement to reflect that ACCESS has complied with the policy by explaining their reasons for excluding scheme members. Nonetheless, the Board continues to express its disappointment and strongly urges the representatives of the fund authorities to reconsider.

Update on UN letter about investments in the Israeli settlement economy

The SAB secretary, along with the chair of and representatives from the Local Authority Pension Fund Forum (LAPFF) met with Michael Lynk on 11 January 2022. Michael Lynk is the United Nations (UN) Special Rapporteur on the Palestinian Territories. The meeting was to discuss the [letter Mr Lynk sent to committee chairs](#) in November 2021.

The SAB provided the following update on the meeting:

“The discussion was productive and it was agreed to follow up with another call in a month or so. It was made clear that LGPS funds' primary objective in investments is to ensure pensions are paid but they do take human rights

issues seriously in their decisions and through LAPFF are actively engaged with many companies listed on the database. In that respect Mr Lynk will provide further information on the database in particular the process for removing companies from it. LGPS funds who are considering responding to Mr Lynk may wish to reference this ongoing discussion.”

LGPS England & Wales

2022/23 employee contribution bands

Below are the employee contribution bands which will be effective from 1 April 2022. These are calculated by increasing the 2021/22 employee contribution bands by the September 2021 CPI figure of 3.1 per cent and then rounding down the result to the nearest £100.

Table 1: Contribution table England and Wales 2022/23

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £15,000	5.50%	2.75%
2	£15,001 to £23,600	5.80%	2.90%
3	£23,601 to £38,300	6.50%	3.25%
4	£38,301 to £48,500	6.80%	3.40%
5	£48,501 to £67,900	8.50%	4.25%
6	£67,901 to £96,200	9.90%	4.95%
7	£96,201 to £113,400	10.50%	5.25%
8	£113,401 to £170,100	11.40%	5.70%
9	£170,101 or more	12.50%	6.25%

New member website

We are in the final stages of producing a new website for members of the LGPS in England and Wales. The existing tools will be replicated on the new site, though re-vamped to make them more user-friendly and accessible. Users will see improved accessibility across the site, in both design and readability.

We will contact all administering authorities when we have a confirmed launch date. We will also supply new branding guidelines that will help you to implement them in your own publications.

The address of the website will not change – www.lgpsmember.org. The addresses of other pages will change but users who attempt to visit an old page will be re-directed to the corresponding page on the new site. Administering authorities will need to consider updating any direct links to individual pages on the national website that they include in member correspondence, guides or websites when the new site goes live.

LGPS Scotland

LGPC response to amendment regulations consultation

On 19 January 2022, the Local Government Pensions Committee (LGPC) responded to the consultation on the draft Local Government Pension Scheme (Scotland) (Amendment) Regulations.

The Scottish Public Pensions Agency launched the consultation on 1 November 2021, which we covered in [Bulletin 216](#). The consultation closed on 21 January 2022.

You can view the consultation documents and LGPC's response on the [Scheme consultations](#) page of www.scotlgpsregs.org.

HMRC

Pension schemes newsletter 136

HMRC published [Pension schemes newsletter 136](#) on 17 January 2022.

The newsletter gives several important updates on the Managing Pension Schemes service, such as:

- when the feature for migrating pension schemes will be made available on the service
- plans to allow administrators to import data directly from spreadsheets when compiling Accounting for Tax returns
- what administrators should be doing to start preparing to migrate their schemes to the service, and
- when administrators will no longer be able to compile and submit Accounting for Tax returns on the Pension Schemes Online service.

On 18 January 2022, Rachel Abbey forwarded an email covering these updates on behalf of HMRC to administering authorities.

The newsletter also includes articles:

- giving further information about the plans to increase the normal minimum pension age from 55 to 57 on 6 April 2028
- reminding scheme administrators dealing with overseas transfers to check that the receiving scheme meets the conditions to be a recognised overseas pension scheme, and
- on the proposed changes to the scheme pays reporting deadlines.

Action for administering authorities

Review the updates to the Managing Pension Schemes service and take any actions as appropriate.

DWP

DWP responds to nudge consultation

The Department for Work and Pensions (DWP) responded to the consultation 'Stronger Nudge to pensions guidance' on 17 January 2022. On the same day, the DWP laid before Parliament [the Occupational and Personal Pension Schemes \(Disclosure of Information\) \(Requirements to Refer Members to Guidance etc\) \(Amendment\) Regulations 2022](#). The regulations come into force on 1 June 2022 and apply to England, Scotland and Wales.

The regulations will require administrators of occupational pension schemes, including the LGPS, to give to their members, in certain cases, a stronger nudge to Pension Wise guidance.

Administering authorities will need to give the stronger nudge where it receives an application, or a communication in relation to an application, from a member to start receiving their additional voluntary contributions (AVCs) on or after 1 June 2022. The regulations also apply to applications from members aged 50 or over to transfer out their AVCs.

Giving the stronger nudge means that administering authorities must, as part of the application process:

- offer to book a Pension Wise appointment on behalf of the member
- where the member accepts, take reasonable steps to book the appointment
- where the member does not accept the offer, or where the authority is unable to book the appointment despite having taken reasonable steps, give details to the member of how to book an appointment themselves

- explain to the member that the authority cannot proceed with the application unless the member has attended the appointment and confirmed this to the authority, or has opted out of attending an appointment, and
- explain to the member that they can only opt out in respect of the application by giving (either verbally or in writing) a notification to the administering authority. The member may only give the notification in a separate communication made solely for that purpose (such as a separate phone call, or separate digital / postal form).

There are some exceptions to the above rules. For example, where the application is to transfer AVCs, the member does not have to give the notification opting out of attending an appointment in a separate communication that is for this sole purpose.

Administering authorities must keep a record of whether, in respect of an application, the member attended a Pension Wise appointment or opted out of attending one. The authority will also need to keep other records where the member was allowed to opt out in a communication which was not for that sole purpose.

The Pensions Regulator, in its [‘Why it’s time for trustees to Pension Wise up’ blog](#), confirmed that it will give guidance before 1 June 2022 to help schemes prepare for the changes.

We will give further information in due course.

You can access the consultation documents on the:

- [Non-Scheme consultations](#) page of www.lgpsregs.org and
- [Non-Scheme consultations](#) page of www.scotlgpsregs.org.

Action for administering authorities

Start preparing for the changes.

Terms of reference for SPa review report published

On 7 January 2022, the Department for Work and Pensions (DWP) published [the terms of reference for the independent report](#) to be led by Baroness Neville-Rolfe, which the DWP commissioned as part of the latest review of the State Pension age (SPa).

The DWP launched the latest review of the SPa on 14 December 2021, which we covered in [Bulletin 218](#). The review must be published by 7 May 2023.

HMT

Government confirms 2022 revaluation and publishes PI multiplier tables

On 20 January 2022, the Government made [a written statement on indexation and revaluation in public service pension schemes](#) and published [the 2022 pensions increase \(PI\) multiplier tables](#).

The statement confirms that public service pensions will increase on 11 April 2022 by 3.1 per cent, except for pensions that have been in payment for less than a year, which will receive a pro-rata increase. The statement also confirms that active LGPS CARE accounts will increase on 1 April 2022 by 3.1 per cent. Active CARE accounts in the other public service schemes will increase as follows:

- Police Pension Scheme: 4.35 per cent
- Firefighters' Pension Scheme: 4.1 per cent
- Civil Service Pension Scheme: 3.1 per cent
- NHS Pension Scheme: 4.6 per cent
- Teachers' Pension Scheme: 4.7 per cent
- Armed Forces Pension Scheme: 4.1 per cent
- Judicial Pension Scheme: 3.1 per cent.

The Government expects to make the annual revaluation orders in March 2022.

TPR

Blog looking ahead to 2022 published

Charles Counsell, Chief Executive at TPR, published [a blog called 'Protecting savers in 2022: disrupting crime, managing climate risk and embracing diversity'](#) on 24 January 2022. The blog sets out what 2022 will bring to workplace pensions, including TPR's plans for the year.

TPR encourages schemes to report pension scams

On 18 January 2022, TPR published [a press release about pension scams](#). TPR believe that too few schemes are reporting suspected pension scams.

Nicola Parish, TPR's Executive Director of Frontline Regulation, said:

"We've seen little evidence that the pensions industry is reporting its suspicions and this lack of data makes it difficult to accurately determine the scale of the problem and put in place successful interventions."

See the [Avoid pension scams](#) page of [TPR's website](#) for information on how to report suspected scams.

Other news and updates

Addendums to the non-Club transfer out guide for QROPS and AVC transfers published

On 19 January 2022, Jayne Wiberg emailed administering authorities to let them know that we have published two addendums to the non-Club transfers out technical guide covering:

- transfers to qualifying recognised overseas pension schemes (QROPS)
- transfers of additional voluntary contributions (AVCs) to UK registered pension schemes.

The addendums explain how [the Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) apply to QROPS and AVC transfers.

You can access the addendums on the Administrator guides and documents pages of www.lgpsregs.org and www.scotlgpsregs.org.

Action for administering authorities

Ensure your processes are in accordance with the addendums.

Amendments tabled to the PSPJO Bill

The Government tabled further [amendments to the Public Service Pensions and Judicial Offices \(PSPJO\) Bill](#) on 21 January 2022. In summary, the amendments relevant to the LGPS are:

- redefine “remediable service” so that it also potentially covers members who were not in pensionable service on 31 March 2012 in a relevant public service pension scheme but who were in such service before then
- extend the types of schemes where pensionable service of which would not count as a disqualifying break
- allow regulations to provide final salary benefits for transferred-in service from different public service schemes where the service benefitted from final salary protection in the other scheme
- allow regulations to restrict service between 1 April 2014 (1 April 2015 in Scotland) and 31 March 2022 from having final salary protection unless the member has transferred in or aggregated previous service
- allow regulations to make provision adjusting pension credits and debits to reflect the McCloud remedy

- allow regulations to make provision about teachers who qualified for the LGPS
- make provisions about compensation and interest payments.

[The Bill](#) is at the Committee stage in the House of Commons, the first sitting was on 27 January 2022.

Data protection considerations for overseas transfers

We recently sought legal advice from Squire Patton Boggs (SPB) in response to a question we received about data protection issues when processing overseas transfers.

The question came about because of the changes made to the full privacy notice in September 2021. The notice was updated to reflect that following Brexit, the UK now falls outside of the European Economic Area (EEA).

The updated privacy notice states that appropriate safeguards must be put in place whenever there is a transfer of personal data from the UK to jurisdictions which may not offer an adequate level of protection as required by the UK Government or EEA countries.

The question we asked SPB is ‘what safeguards should administering authorities put in place when sending personal data and payment information overseas as part of a transfer out?’.

Please see [the Appendix to read their full advice](#). A summary is provided below:

- due to the risk of pension scams, administering authorities should not deal with independent financial advisers (IFAs) directly. Information in relation to transfers out should normally be provided directly to the member, for the member to pass onto their IFA or receiving scheme
- under the GDPR, there is a requirement to specify where data will be transferred to a third country and the existence or absence of an adequacy decision¹ or reference to the appropriate safeguards to protect it, and how the member can get a copy of them
- a general statement will suffice for the privacy notice, but for individual transfers administering authorities should explain to the member at the start of the process that their explicit consent will be needed for any transfer of personal data overseas

¹ an adequacy decision is a formal decision made by the European Union (EU) which recognises that another country, territory, sector or international organisation provides an equivalent level of protection for personal data as the EU does.

- where the member or the receiving scheme is outside the EEA, the explanation should note that:
 - ❖ legal safeguards in the recipient country may be inadequate
 - ❖ the administering authority cannot put in place binding contractual terms with the member's chosen provider
 - ❖ the administering authority will use its normal processes to ensure the security of any data during the transfer, but it cannot guarantee the security of the data beyond the transfer.
- where the recipient country does not have an adequacy decision or appropriate safeguards it is possible to rely on the individual's explicit consent as justification for making the transfer (where the member has been informed about the possible risks, as above).

Transfer payments

- even if the personal data is provided directly to the member within the UK/ EEA there will always be the issue of making a transfer payment to an overseas pension scheme
- administering authorities should confirm the level of personal data (if any) which would need to be transferred for the purposes of processing the payment itself
- a potential safeguard could be to ensure that payments are sent using anonymised membership references (or something similar) to avoid having to send any personal data with the payment
- if no personal data needs to be transferred when making the transfer payment itself, obtaining member consent for that part of the process is not necessary.

Action for administering authorities

Review your procedures to ensure they are in line with the advice.

CIPFA partners with Isio to refresh its training for board members

On 27 January 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) [announced that it has partnered with Isio](#) to refresh its current training and support programme for LGPS pension board members.

CIPFA expects to hold the first event of the programme re-launch in London in May 2022.

National LGPS Frameworks News Bulletin Edition 6

The National LGPS Frameworks has recently published [News Bulletin Edition 6](#). The bulletin includes articles on:

- new frameworks for 2022
- developments in 2021
- looking for volunteers to be founders for the next framework on legal services.

Pensions dashboards

PDP blog on supporting a market for dashboard providers

The Pensions Dashboards Programme (PDP) recently published [a blog called 'Supporting a market for pensions dashboard providers'](#). The blog sets out PDP's aim to grow the dashboard provider market and the benefits of multiple dashboards. The blog also signposts potential dashboard providers to information and asks them to register their interest.

Research report on dashboards published

The Pensions Dashboard Programme (PDP) published a [report from Ipsos Mori](#) on 25 January 2022. The PDP had commissioned Ipsos Mori to undertake qualitative research on the attitudes of potential dashboard users, their circumstances, behaviours and views of the dashboard concept.

On the same day, Rita Patel, Lead Analyst for the PDP, published [a blog summarising the report's main findings](#), which are:

- respondents reacted almost uniformly positively to the concept of dashboards
- respondents expect to see value information, both accrued and projected
- a find-only dashboard, which located pensions without displaying values, was of limited appeal
- a phased or partial service could negatively affect dashboards' reception
- dashboard users need to know what the service can and cannot do for them, as well as having clear signposting of government backing, in order to increase trust in its security.

NI Database and deceased members

We have been contacted by an administering authority that has changed its death process to ensure that recently deceased members are included in the data sent to the NI database. The previous process involved making a small change to a member's record to indicate that the member had died before the administering

authority had all the information it needed to run a final death calculation. That method meant that cases were excluded from the data sent to the NI database.

One of the primary purposes of the NI database is to prevent the double payment of death grants. It is very important that recently deceased members are included on the NI database.

Action for administering authorities

Review your process and check that recently deceased members are included in the data you upload to the NI database. Contact your software supplier if you have any questions about what information is needed on a member record to achieve this.

Tim Hazlewood

It is with great sadness that we let you know that Tim Hazlewood, the LGA's former Pensions Training and Development Manager, passed away on 31 December 2021. We would like to extend our sincere condolences to his family. His farewell took place on 14 January 2022 and was a moving tribute.

Tim will be much missed by his former colleagues at the LGA and across the sector.

Tim retired in July 2017 after a long and varied career in the LGPS, working for 28 years in total at the Leicestershire and Nottinghamshire funds before moving to the LGA in 2002. During his time at the LGA, Tim developed a highly valued LGPS training programme and trained many thousands of pensions administrators, employers and pensions committee members up and down the country. He was loved for his humour and his ability to explain the complex workings of the LGPS in a straightforward manner.

Training

Update on governance conference

The LGPS governance conference took place on 20 and 21 January with both face to face and online delegates and speakers. Initial feedback has been very positive. Next year's conference will take place on 19-20 January 2023 in Cardiff – please save the date.

Training focus group

The first training focus group took place on 26 January. Thanks to all representatives who attended. We are currently collating views and will issue minutes to the participants. We will be setting our training programme for the

coming years over the next month and the discussions will help us to shape the service moving forward.

Two pension officer groups were not represented (Scotland and South West). Please contact karl.white@local.gov.uk if you want to be involved going forward. The next meeting will be in six months.

Wider landscape

Judicial review challenging McCloud consultation dismissed

This case has no impact on the LGPS.

On 15 December 2021, the High Court handed down [its judgment](#), dismissing the judicial review brought by the Police Superintendents' Association (PSA). The PSA challenged the legality of the consultation remedying the discrimination identified in the McCloud judgment in the unfunded public service schemes and the decision to close the legacy schemes on 1 April 2022.

The Court upheld some aspects of the PSA's claims. The Court found that the Government had not given clear conscientious consideration to the consultation responses before deciding to close the legacy schemes on 1 April 2022 and that parts of the public sector equality duty were breached. The Court decided against granting relief as it found it highly likely that the Government would have made the same decisions if the breaches had not occurred.

The PSA has since [announced that it will seek leave to appeal](#) to the Court of Appeal.

LGA responds to TPS consultation

On 21 January 2022, The LGA [responded to the consultation on proposed changes to the teachers' pension scheme](#) (TPS). The changes implement the first phase of the McCloud remedy.

The Department for Education launched the consultation on 30 November 2021, see [Bulletin 218](#). The consultation closed on 24 January 2022.

Legislation

Statutory Instruments

[Occupational and Personal Pension Schemes \(Disclosure of Information\) \(Requirements to Refer Members to Guidance etc\) \(Amendment\) Regulations 2022](#)

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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LGPC Bulletin 220 – February 2022

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

This bulletin contains updates for all LGPS stakeholders. It includes important articles on:

- [LGPS Scotland tiered contribution rates for 2022/23](#)
- [DWP consultation on draft pensions dashboards regulations](#)
- [LGPS investments in Russia](#)
- [Proposed amendments to the PSPJO Bill to restrict investment boycotts](#)
- [LGA Head of Pensions](#)

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

LGPS investments in Russia

The UK Government has sanctions in place and is likely to introduce more as a result of events in Ukraine. The SAB advises any LGPS fund that is not already doing so to consider the implications for their investment portfolios.

Action for administering authorities

Discuss the implications for your investment portfolios of current and potential financial sanctions with pools and asset managers. Decide what prudent action you should take.

LGPS England & Wales

DLUHC Levelling Up White Paper

On 2 February 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published the [Levelling Up White Paper](#). The paper includes the Government's intention to ask LGPS pension funds, working with the asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas. We understand that 'local' refers to UK projects, rather than to projects local to a particular administering authority.

We expect DLUHC to issue a consultation before the Parliamentary summer recess. We understand that consultation will also cover climate risk and reporting regulations and pooling guidance.

Change to DLUHC email addresses

DLUHC email addresses have changed from @communities.gov.uk to @levellingup.gov.uk. The general contact address is now lgpensions@levellingup.gov.uk. There will be a period of transition during which both domains will work.

Action for administering authorities

Review and update your contact lists as necessary with the new DLUHC addresses.

LGPS Scotland

SPPA publishes Circular 2022/01 – PI review and revaluation order

On 28 January 2022, SPPA published Circular 2022/01. SPPA confirms in the circular that:

- deferred pensions and pensions in payment will increase by 3.1% from 11 April 2022
- the in-service revaluation for the CARE scheme in respect of 2021/22 will be 3.1%.

You can find this and past circulars on:

- the [SPPA circulars and guidance](#) page of www.scotlgpsregs.org, and
- the [LGPS Circulars](#) page of the SPPA website.

SPPA publishes Circular 2022/02 – Tiered contribution rates

On 24 February 2022, SPPA published the tiered contribution rates and guidance for 2022/23. You can view the circular and guidance on the [SPPA circulars and guidance](#) of www.scotlgpsregs.org.

Action for administering authorities

Please share this with your Scheme employers.

HMRC

Pension Schemes Newsletter 137

On 28 February 2022, HMRC published [Pension Schemes Newsletter 137](#). The newsletter contains:

- an article on the impact of the McCloud remedy on members of unfunded public service pension schemes with fixed or enhanced protection, including those who lost that protection on joining a reformed scheme in 2015
- a request that you remind pension scheme members to tell HMRC in writing as soon as possible if they have lost their lifetime allowance protection
- an update on the Managing Pension Schemes service:
 - the feature for migrating pension schemes will be available from 11 April 2022
 - schemes must be [enrolled on the Managing Pension Schemes service](#) to be able to migrate
 - schemes must provide up to date information to migrate. You can find the information in Appendix A of [Pension Schemes Newsletter 136](#)
- an update on submitting Accounting for Tax returns on the Pensions Schemes online service.

HMRC will provide further guidance on the new features being added to the Managing Pension Schemes service on 11 April 2022.

Please email migration.mps@hmrc.gov.uk if you have any questions about or feedback on the Managing Pension Schemes service.

Consultation on reporting deadlines

[HMRC is consulting on draft regulations associated with extending the deadlines for Scheme Pays](#). The (Draft) Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 are in addition to the changes introduced by the Finance Act 2022.

The changes will apply to members of all UK pension schemes. It will be of particular relevance to public service pension schemes when dealing with members whose pension input amount for a past year is changed as a result of the McCloud remedy.

The Government proposes that the regulations take effect from 6 April 2022. The short consultation will close on 15 March 2022.

Finance Act 2022 receives Royal Assent

The Finance Act received Royal Assent on 24 February 2022. The provisions of the Act relevant to the LGPS are summarised below.

Clause 9: Annual allowance deadlines

Deadlines for electing for scheme pays and associated payment and reporting deadlines will be extended for certain members who are informed of a change in pension input amount for a past pension input period.

Clause 10: Normal minimum pension age

The normal minimum pension age will increase from 55 to 57 from 6 April 2028. This will not apply to members of uniformed services pension schemes. The Act provides for protected pension ages for members who meet the entitlement condition.

We do not yet know whether DLUHC and SPPA intend to amend the LGPS regulations to introduce a protected pension age.

Clause 11: Power to change tax rules related to the McCloud remedy

The Act provides HM Treasury with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Different regulations may apply to different public service pension schemes. The regulations will have retrospective effect.

We are still waiting for a final version of the Act to be published. When it is, we will publish more detailed information about the provisions of the Act and its impact on LGPS administering authorities.

DWP

Consultation on draft pensions dashboards regulations

DWP published a [consultation on the draft Pensions Dashboards Regulations](#) on 31 January 2022. The consultation will run for six weeks and close on 13 March 2022. We will be responding to the consultation on behalf of the LGPC and the LGA.

Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards.

The consultation proposes a staging deadline of the end of April 2024 for public service pension schemes, including the LGPS. This means that LGPS administering authorities will need to be able to connect to the digital architecture by this date and be ready to provide individuals' data to them via the dashboards.

Our response will express concern about LGPS administering authorities' ability to meet the staging deadline given the other pressures they face.

We expect the McCloud remedy regulations to come into force from 1 October 2023. LGPS administering authorities will already be under huge pressure at this time to revisit calculations in respect of leavers since 1 April 2014, including:

- recalculating member and survivor pensions, paying arrears and interest
- dealing with the resulting pension tax implications
- recalculating deferred benefits and concurrent calculations
- exchanging service information with other administering authorities for members who have transferred
- potentially re-visiting past trivial commutation payments, CETVs, death grants and Club transfers.

For these reasons, our response will state that we are doubtful that a staging deadline of April 2024 is achievable. The draft regulations allow schemes to defer their staging date but this is only allowed in specific circumstances.

We will raise other concerns in our response, including:

- The exclusion of deferred refunds from dashboards will make the system less effective at achieving the Government's aim of reuniting people with lost pensions.
- Although a longer period is allowed to respond to a request from a recent joiner, the rules do not appear to cater for the fact that administrators may not have been informed about the new joiner.
- It is not clear what value data must be supplied in respect of a member who has not yet met the vesting period.
- Some of the provisions in the draft regulations are very different from the rules that the LGPS must currently follow. Statements for deferred LGPS members are not covered by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. Signpost data must be returned immediately after the scheme receives a view request. Signpost data includes 'the scheme's implementation statement', a statement that LGPS administering authorities are not currently required to publish. The information contained in an implementation statement is likely to be replicated in an annual report.
- The value data that must be returned will generally be included in a benefit statement for active members. We do not know whether any figures relating to the McCloud remedy will have to be included in annual benefit statements. This could delay the progress on developments and preparations for dashboards until we have seen final regulations.

We will share our full response before the consultation closes on 13 March 2022.

Draft Standards

Standards will provide further detail on how schemes and dashboards providers must comply with their legislative duties. MaPS standards will cover:

- **Data:** data elements and formatting requirements that schemes must follow when returning data to members via dashboards
- **Technical:** covering how dashboards must connect to MaPS and pension schemes
- **Design:** how view data must be presented on the dashboards
- **Reporting:** what information schemes must keep and report to MaPS and regulators in relation to compliance and performance.

The PDP has published [supporting information for DWP consultation](#) which includes early information on each of these standards. The PDP will consult on standards later in 2022.

DWP Webinars

The DWP delivered a series of [webinars to assist with responses to the consultation](#). You can watch recordings of those webinars via the PDP website.

Action for administering authorities

Consider what action you can take now in preparation for pensions dashboards. Submit a response to the consultation, including your views on the proposed staging date of 30 April 2024.

State Pension age review: call for evidence

Under the Pensions Act 2014, the Government must undertake a review of the State Pension age every six years. The report for the next review must be published by 7 May 2023. As part of this, the Government has commissioned Baroness Neville-Rolfe to prepare an independent report making recommendations to the Government on what metrics it should consider when setting the State Pension age in future.

On 9 February 2022, DWP launched a call for evidence to gather views on this subject to feed into Baroness Neville-Rolfe's report. The [independent report call for evidence](#) will close on 25 April 2022.

The call for evidence seeks views from members of the public and all interested parties on various points including:

- intergenerational fairness
- notice periods for State Pension age changes
- changes in working patterns
- predicted future changes to the workplace
- sustainability and affordability
- options for taking into account differences in circumstances when setting State Pension age
- what metrics should be considered to determine State Pension age.

Automatic enrolment trigger remains the same

DWP has published its [review of the automatic enrolment trigger for 2022/23](#). The earnings trigger will remain at £10,000. This is a real term decrease in the value of the trigger. The Government estimates this will bring 17,000 more savers into pension savings compared with increasing the trigger in line with average wage growth.

TPO

New factsheets published

The Pensions Ombudsman (TPO) has published three new member factsheets this month:

Pension scams: what a member should do if they think they have been scammed and what TPO can do if they have a complaint about a scam.

Ill health pensions: general information about ill health pensions and how to make a complaint.

Death benefits: general information about death benefits and how to make a complaint.

You can find these and other TPO publications on the [Publications page of the TPO website](#).

If you would like to receive regular updates from TPO about publications and other news, please contact stakeholder@pensions-ombudsman.org.uk.

Launch of Pensions Dishonesty Unit

TPO has established a Pensions Dishonesty Unit in response to recent high value determinations. The Unit will investigate allegations of serious breaches of trust, misappropriation of pension funds and dishonest or fraudulent behaviour by pension scheme trustees. You can read more about the [TPO Pensions Dishonesty Unit](#) on the TPO website.

Other news and updates

LGA Head of Pensions

As many of you will be aware, Jeff Houston is retiring from the role of Head of Pensions at the LGA and Secretary to the Local Government Pension Scheme Advisory Board (SAB) in England and Wales on 31 March 2022.

We are pleased to confirm that following a competitive recruitment exercise Joanne Donnelly will be taking over the role from 1 April 2022. Jo will be known to many of you through her existing role as Senior Pensions Secretary at the LGA and Deputy SAB secretary. She previously worked at HM Treasury.

Amendment to PSPJO Bill to restrict investment boycotts

Robert Jenrick MP tabled an amendment to the Public Service Pensions and Judicial Offices Bill (PSPJO). The amendment was passed on 22 February 2022.

The amendment will allow the responsible authority to issue guidance to administering authorities instructing them not to make investment decisions that conflict with the UK's foreign and defence policy. The responsible authority for the LGPS in England and Wales is the Secretary of State and the responsible authority for LGPS Scotland is Scottish Ministers.

Further measures in this area will be introduced by the Boycotts, Divestment and Sanctions Bill which is expected during this Parliament. You can read more about the [Boycotts, Divestment and Sanctions](#) Bill and this amendment on the [SAB website](#).

Communications Working Group minutes published

We have published the minutes of the Communications Working Group meeting that took place on 11 January 2022. At the meeting the group discussed:

- working practices as a result of the pandemic
- the launch of the new member website
- digital engagement
- scam prevention and new transfer rules
- member communications related to the McCloud remedy.

You can find the minutes from this and earlier meetings and the Group's workplan on the:

- [Communications Working Group](#) page of www.lgpsregs.org and
- [Communications Working Group](#) page of www.scotlgpsregs.org.

Template privacy notices updated

We have published new versions of the long and short template privacy notices.

We asked Squire Patton Boggs to update the notices following the introduction of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. The updated notices cover administering authorities requesting additional information to rule out pension scam activity as part of a transfer request.

Squire Patton Boggs has stated in both notices that the updates do not necessitate an immediate re-issue of the privacy notice. Administering authorities could update the notices as part of an annual update. Since the GDPR came into effect, the direction of travel is towards greater transparency. Administering authorities may want to consider:

- how frequently they circulate hard copies of the privacy notice to members
- in what circumstances they circulate hard copies to members and
- how they will bring the latest version of the privacy notice to members' attention.

You can find version 5 of the template full privacy notice and version 4 of the template summary privacy notice on the:

- [Administrator guides and documents](#) page of www.lgpsregs.org and
- [Administrator guides and documents](#) page of www.scotlgpsregs.org.

Pension scams prevention: proposed rule changes

The DWP has confirmed that it may make changes to [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) that came into force in November. The changes would mean that the presence of low-risk overseas investments would no longer constitute an amber flag.

Members must take pension scams guidance from MoneyHelper if any amber flags are identified. An amber flag is currently present if overseas investments are included in the receiving scheme. The transferring scheme must direct members to guidance even if those overseas investments are low risk.

The Government is currently considering what changes could be made that would maintain the primary policy of protecting members from potential scams.

NI database access

We have received a number of recent queries concerning access to the National Insurance (NI) database. In almost all cases, losing access has been due to a local change in IP address.

Users can only access the NI database from approved IP addresses. If you have any problems accessing the NI database, please check with your IT department whether your public facing IP address(es) has changed. If your IP address(es) has changed, please contact query.lgps@local.gov.uk to let us know the new address(es). We will then arrange for your new address to be approved.

PDP appoints Digidentity as identity service supplier

The Pensions Dashboards Programme (PDP) has appointed Digidentity as its interim identity service supplier. Digidentity will deliver the identity service, part of the dashboards' digital architecture.

You can read more about the [appointment of Digidentity as identity service supplier to the PDP](#) and the role of the identity service on the PDP website.

Wider landscape

Teachers' Pension Scheme employer contribution grant

On 9 February 2022, the Department for Education updated its [guidance on the teachers' pension employer contribution grant for further education providers](#).

NHS Pension Scheme: changes to member contributions

On 15 February 2022, the Government responded to its consultation on changes to member contributions.

The response sets out the new member contribution structure that will take effect from 1 October 2022. It confirms that:

- members' actual annual rates of pay will be used to determine the amount of member contributions that they pay
 - how the thresholds will be uplifted to reflect pay awards, and
 - the proposals will be phased in.
-

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.

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Further information


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	Pension Board 24 March 2022
	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: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Two 1) Appendix 1 – Risk Register 2) Appendix 2 – Risk Strategy
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

- 1.1 This report presents the 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:
- A new risk has been added under item 5.7 to capture the risk of issues related to data migration from Altair into Civica UPM undertaken by LPP. Overall, the risk is identified as low to medium, the likelihood of the risk is low due to the controls in place and the score of the risk is 24.
 - A new risk has been added under item 9.2 to capture the impact of the exposure of the Brent Pension Fund to Russian, Ukrainian and Belarusian assets. Given the low exposure there is minimal risk of significant financial detriment to the Fund from direct exposure therefore the impact has been scored as one, giving an overall score of 10.
- 3.6 There have been other changes made to the Risk Register at Appendix 1 to keep the document up to date. The changes are:
- Item 5.2 – Record Keeping Planning - the risk remains as low - medium, the likelihood of the risk has changed from 5 to 3, the impact has changed from 10 to 7 and the overall score of the risk has changed from 50 to 21;
 - Item 5.5 – Impact of Coronavirus (COVID-19) - the risk has changed from medium - high to medium - low, the likelihood of the risk has changed from 10 to 8, the impact has changed from 7 to 4 and the overall score of the risk has changed from 70 to 32;
 - Item 5.6 – Transfer of LPP Administration System from Heywoods to Civica - updated comments;
 - Item 9.4 – Exit Pay Reforms - updated comments;
 - Item 9.6 – Pension Plan Accounting - updated comments.
- 3.7 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.
- 3.8 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 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 2022										
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	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	2022	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	2022	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	2022	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 Academies	1	6	6	LPP Shared Service Agreement	LPP	Annual	2022	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	Quarterly	Q4 2021/22	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	Quarterly	Q4 2021/22	The Risk Register is monitored 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	2022	Procedures on data security in place, systems kept up to date with latest security updates
4.11		Not backing up data regularly using secure backup systems	2	10	20	Data Back Up Procedures.	Brent	Annual	2022	Data is backed up on an incremental basis daily and fully backed up weekly, data kept in secure sites.
4.13		a) Clean desk policies 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	2022	Possibility of: a) Sensitive data being seen by unauthorised persons b) Data theft c) GDPR breached e) Brent Council's 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	2022	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 Council's 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	2022	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	2022	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	2022	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 periodically review 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 Academies Employers	Missing common and Scheme Specific data not provided by employers, maintained schools and academies leads to delay in progressing administration for members	5	10	50	LPP Data Check	Brent	Annual	2022	LPP run a test of the data each month. These scores are included in the Admin Update report taken to 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	3	7	21	TPR Data Scores, Data cleanse project	Brent	Monthly	Monthly	Brent record keeping plan have been created to deal with poor common data and scheme. Phase 1 and phase 2 of data cleanse projects are now complete. 1,385 missing leaver queries were identified within the scope of the project. A total of 1,219 queries have been resolved (88%). Of the outstanding 166 cases, 55 are now active cases within "business as usual" and the remaining 111 cases have been passed over to Brent and will be followed up with employers at the 2021-22 year end.

5.3	(Employer Data) Maintained Schools Academies Employers Supplied Data to Capita	Failure by Maintained Schools, Academies, 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	2022	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 Knowledge sharing and transfer	Brent	Annual	2022	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.	8	4	32	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 are able to work from home and in offices. The Fund does not anticipate 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 maintains a long-term perspective.
5.6	Transfer of LPP Administration System from Heywoods to Civica	Risk in transferring 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 are planning to introduce a new pension administration system which is made by Civica and called Universal Pensions Management (UPM). The UPM system will replace 5 different systems including Altair, 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. LPPA successfully went live with 3 clients onto the UPM platform on 26th January 2022 and the 4th client went live on 24th February 2022. Additionally, the member and employer portals are now live. It is expected that Go Live for the Brent Pension Fund will be in September 2022. The transfer of this service from Heywood's to Civica while having many benefits will also involve risks that are to monitored regularly by LPP through their Project Plan capturing key dates, tasks, milestones, risks and controls in place. LPP are providing Brent officers with regular updates in weekly and monthly meetings to ensure successful transfer of administrative systems.
5.7	Data Migration	The data is not transferred across or is transferred across incorrectly leading to: a) Delays in the calculation of member benefits b) Member payments being delayed c) Increase in complaints d) Difficulty in meeting key deadlines e) Reputational damage to the fund	3	8	24	Regular meetings with LPP	LPP	Ongoing	Ongoing	LPP are conducting five separate data cuts for the migration of data from Altair into UPM. Each data cut will be completed and signed off before the next data cut is completed. The data will be fully reconciled before UPM go live. Brent is part of the second batch of the clients going live in 2022, therefore we will be able to learn lessons on what's gone well and what has not gone well.
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	4	10	40	Plan Calendar	Brent	Annual	2022	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 as: 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	2022	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 2021/22	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	2022	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. Delays in submission of returns can lead to a risk that the ABS are not issued by the deadline. Where returns have not been promptly 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	2022	Improvement to common and Scheme Specific data being carried out under RKP.
6.3	Deferred Member Benefit Statements 2021/22	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	2022	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 and Plan Calendar	Brent	Annual	2022	All Plan calendar events to be recorded with plans to ensure they are carried out, better planning for end of year 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	Quarterly	2022	Admission agreements are regularly reviewed by officers in finance and legal to resolve issues encountered in the admission agreement process and progress to completion.
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	Quarterly	2022	Admission agreements are regularly reviewed by officers in finance and legal to resolve issues encountered in the admission agreement process and progress to completion.
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	Quarterly	2022	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	Quarterly	2022	Breaches 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	Ongoing	Ongoing	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	2022	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	2022	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	2022	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 being done 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	Ongoing	2022	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	2022	The oversight of the plan is carried out by the Scheme manager 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	2022	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 Academies 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	Investments in Russia, Belarus and Ukraine	<p>Due to the impact of the UK government sanctions on the Ukraine invasion by Russia, the exposure of the Brent Pension Fund to Russian, Ukrainian and Belarusian assets is set out below:</p> <p>Total Fund Value (31/1/22) £1.1 billion Total Exposure £1.6 million Exposure 0.14%</p> <p>The Fund has relatively minimal exposure to Russian, Ukrainian and Belarusian holdings</p>	10	1	10	The Fund holds a well-diversified portfolio of assets, which has been invested in line with the investment strategy statement	Brent	Ongoing	Ongoing	Officers, in conjunction with our investment advisors, fund managers, London CIV and actuary, are monitoring the situation on an ongoing basis and continually assessing risks.
9.3	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.
9.4	Exit Pay Reforms	There is potential for new legislation to be introduced 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, this was revoked on the 25th February 2021. 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, liaise with the Fund actuary and update the Pensions Board accordingly.
9.5	Pension Contributions not Paid by:	<p>Effects the Plans abilities to:</p> <p>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</p>	2	10	20	PAS	Brent	2021	Ongoing	Procedures in place to deal with pension contributions not being made or late
9.51	Maintained Schools Academies Employers		2	10	20	PAS	Brent	Annual	2022	Engaging with: a) Employers b) Academies c) Maintained Schools d) With working parties and employer forums e) LPP to provide more support in this area
9.52	a) On time b) Or not at all c) Refusal to pay		2	10	20	PAS	Brent	Annual	2022	Contributions are monitored on a monthly basis and late or non payers reported. 2018 Revised PAS includes fines for non compliers.
9.6	Pension Plan Accounting	<p>Failure to comply with accounting regulations will lead to serious consequences:</p> <p>a) Possible fines b) Loss of reputation</p>	2	10	20	Annual audit	Brent	Annual	2022	Annual audit of the accounts for the year to 31 March 2021 has been completed. The annual report has been signed off.
9.61			1	10	10	Triennial valuations	Brent	Tri Annual	2022	2019 Triannual completed. Next triannual valuation 2022
9.62			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.
9.63			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.



Brent

London Borough of Brent Risk Strategy

Brent Risk Strategy July 2018

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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.

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,
Orange Midium to High							

							subject to close monitoring and rapid action if required
High					Risk having a major impact	Planned actions in place	Action plans in place, monitored weekly, longer term before risk will reduce
	75 to 100	8	10	80			
		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 not 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

H2 2021 Investment Monitoring Report

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Executive Summary

Performance Summary

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

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

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

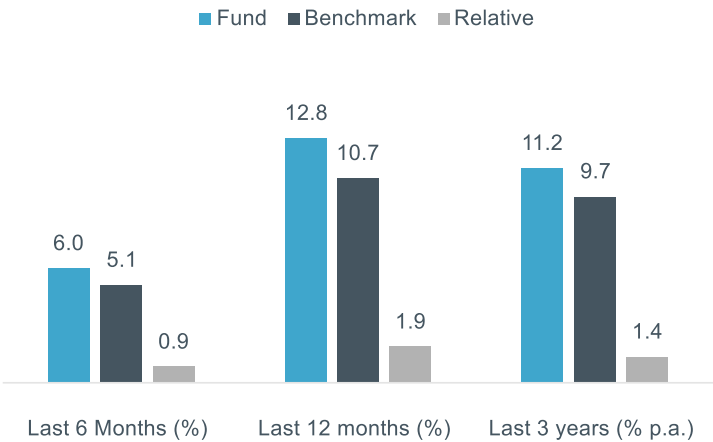
Key Actions

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

Key points to note

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

Fund performance vs benchmark/target



High Level Asset Allocation

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

GrIP	Actual	Benchmark	Relative
Growth	58.9%	58.0%	0.9%
Income	27.5%	25.0%	2.5%
Protection	11.5%	15.0%	-3.5%
Cash	2.1%	2.0%	0.1%

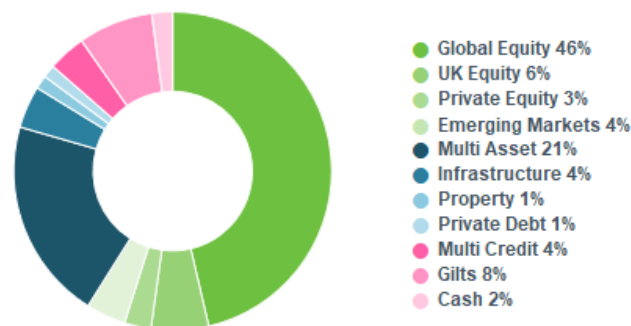
Whilst on the journey to its interim and long term targets for Property, Infrastructure and Private Debt, the current agreement is that the Fund will hold a higher allocation to DGF’s.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2021	Q4 2021			
LGIM Global Equity	474.7	520.0	45.0%	40.0%	5.0%
LGIM UK Equity	63.3	67.4	5.8%	5.0%	0.8%
Capital Dynamics Private Equity	37.8	31.4	2.7%	5.0%	-2.3%
LCIV JP Morgan Emerging Markets	50.4	46.7	4.0%	5.0%	-1.0%
Blackrock Acs World Low Crbn	0.0	15.8	1.4%	3.0%	-1.6%
Total Growth	626.1	681.2	58.9%	58.0%	0.9%
LCIV Baillie Gifford Multi Asset	137.1	143.9	12.5%	7.5%	5.0%
LCIV Ruffer Multi Asset	91.4	93.2	8.1%	7.5%	0.6%
Alinda Infrastructure	22.7	24.0	2.1%	0.0%	2.1%
Capital Dynamics Infrastructure	8.8	6.0	0.5%	0.0%	0.5%
LCIV Infrastructure	13.2	19.5	1.7%	5.0%	-3.3%
Fidelity UK Real Estate	0.0	15.0	1.3%	5.0%	-3.7%
LCIV Private Debt Fund	0.0	15.9	1.4%	0.0%	1.4%
Total Income	273.2	317.5	27.5%	25.0%	2.5%
LCIV CQS MAC	43.6	44.6	3.9%	5.0%	-1.1%
BlackRock UK Gilts Over 15 yrs	85.7	87.9	7.6%	10.0%	-2.4%
Total Protection	129.3	132.5	11.5%	15.0%	-3.5%
Cash	47.6	24.4	2.1%	2.0%	0.1%
Total Scheme	1076.2	1155.7	100.0%	100.0%	

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

Asset class exposures



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

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

The Baillie Gifford multi-asset fund posted strong performance over the period, driven by listed equities, property and infrastructure allocations, which benefited from the ongoing economic recovery. Over 12 months, the returns achieved by Baillie Gifford and Ruffer are similar at c10% and well ahead of the benchmark return of 2.3%.

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

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

Manager performance

	Last 6 Months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	9.6	9.5	0.1	22.6	22.7	-0.0	20.1	20.1	-0.0
LGIM UK Equity	6.6	6.6	-0.0	18.3	18.3	-0.1	8.4	8.3	0.0
Capital Dynamics Private Equity	12.3	10.5	1.7	25.4	24.5	0.7	8.6	15.2	-5.7
LCIV JP Morgan Emerging Markets	-7.4	-5.7	-1.8	-4.6	-1.7	-3.0	8.4	8.7	-0.3
Blackrock Acs World Low Crbn	5.1	5.0	0.1	-	-	-	-	-	-
Income									
LCIV Baillie Gifford Multi Asset	5.0	1.0	3.9	9.4	2.3	7.0	7.9	2.7	5.1
LCIV Ruffer Multi Asset	2.0	1.0	1.0	10.3	2.3	7.8	9.7	2.7	6.8
Alinda Infrastructure	-	-	-	10.4	7.4	2.8	1.3	5.4	-3.9
Capital Dynamics Infrastructure	-	-	-	-32.3	7.4	-37.0	-19.1	5.4	-23.2
LCIV Infrastructure	-	-	-	2.7	7.4	-4.4	-	-	-
Protection									
LCIV CQS MAC	2.2	1.0	1.2	6.4	2.1	4.2	4.9	3.1	1.8
BlackRock UK Gilts Over 15 yrs	2.6	2.6	-0.0	-7.3	-7.3	0.1	-	-	-
Total	6.0	5.1	0.9	12.8	10.7	1.9	11.2	9.7	1.4

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

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

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

The table above excludes the performance of the Fund's investment in the London CIV's Private Debt sub-fund. Given initial draw downs only occurred during Q2 2021, it still remains too early to report appropriate performance at this stage. As the Fund's commitments continue to be drawn under this mandate, and the size of investments increase, it will become more appropriate to report and consider return measures in percentage terms.

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

Manager ratings

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

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

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

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

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

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

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

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

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

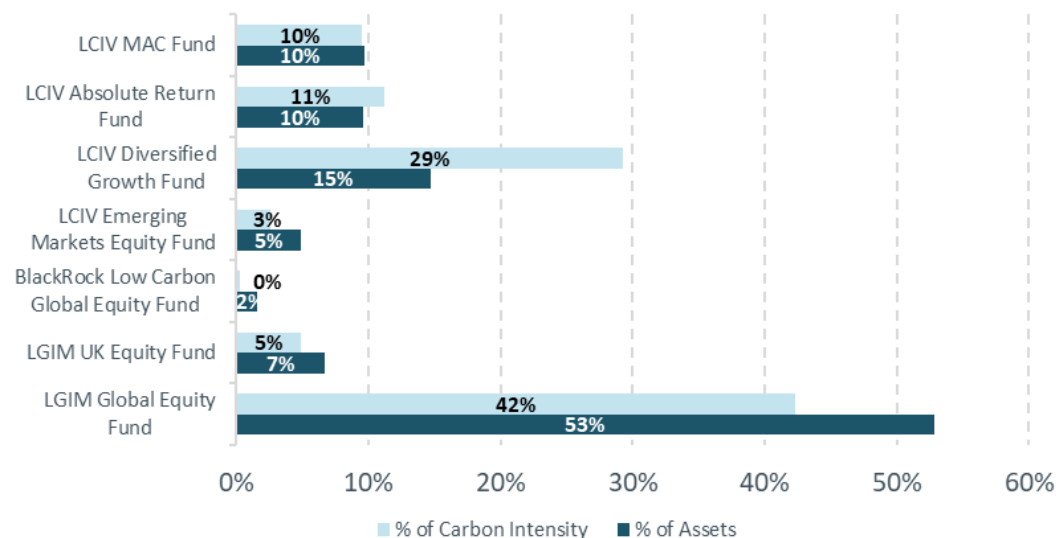
Despite only representing c.15% of assets shown here, the Baillie Gifford Diversified Growth fund is responsible for c.29% of the total carbon intensity.

Climate Risk Overview

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

*Composite benchmark reflects individual mandate benchmarks weighted by proportion invested

Carbon Intensity by Manager



LGIM Global Equity

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

Performance in global equity markets remains strong over longer periods.

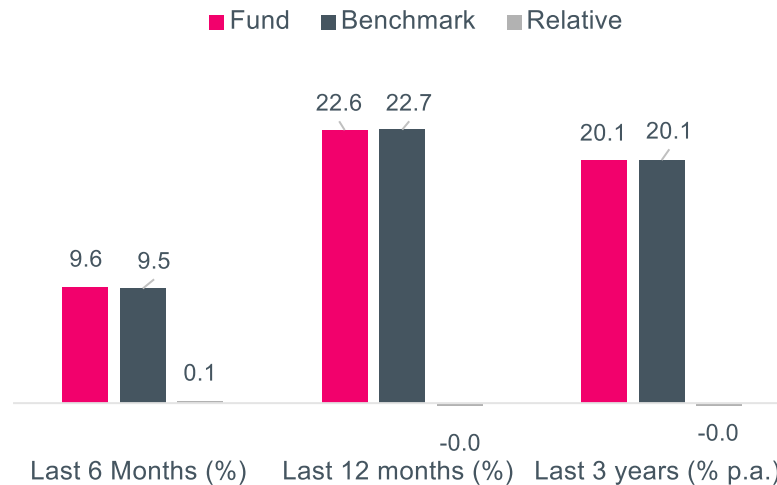
As a passively managed fund, it has matched its benchmark over all periods.

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

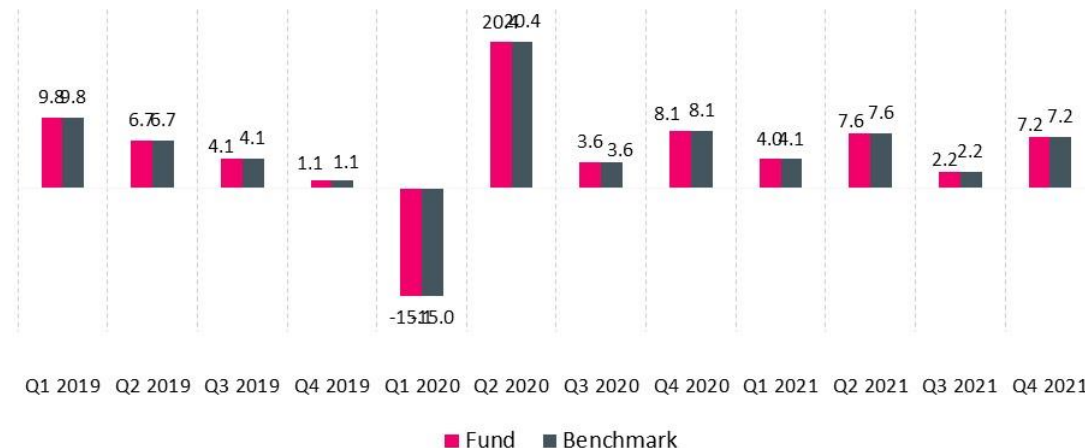
However, markets proved more resilient in Q4 despite increased volatility in the face of the emerging Omicron variant. Strong Q3 earning growth drove outperformance in the technology sector. Due to concerns over an economic slowdown, cyclical sectors lagged.

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

Fund Performance vs benchmark



Historical Performance/Benchmark



LGIM UK Equity

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

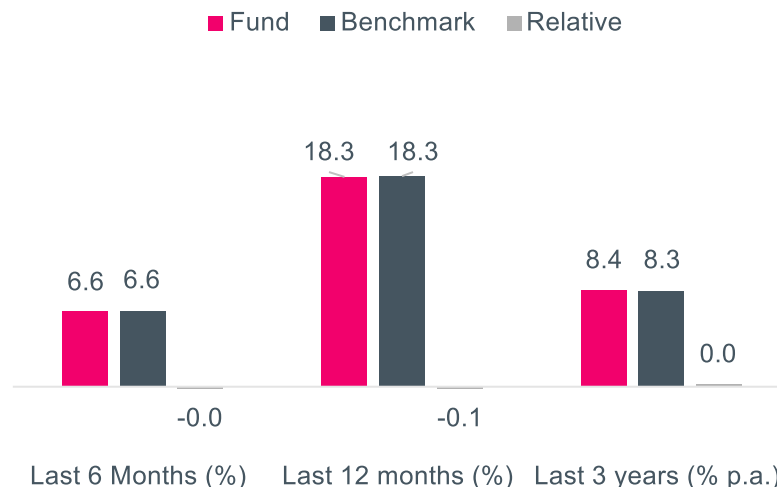
Performance over 12 months and 3 years is strong, albeit the UK market continues to lag its global counterparts at the longer end as a result of the higher weightings within the UK market to financials, industrials and materials.

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

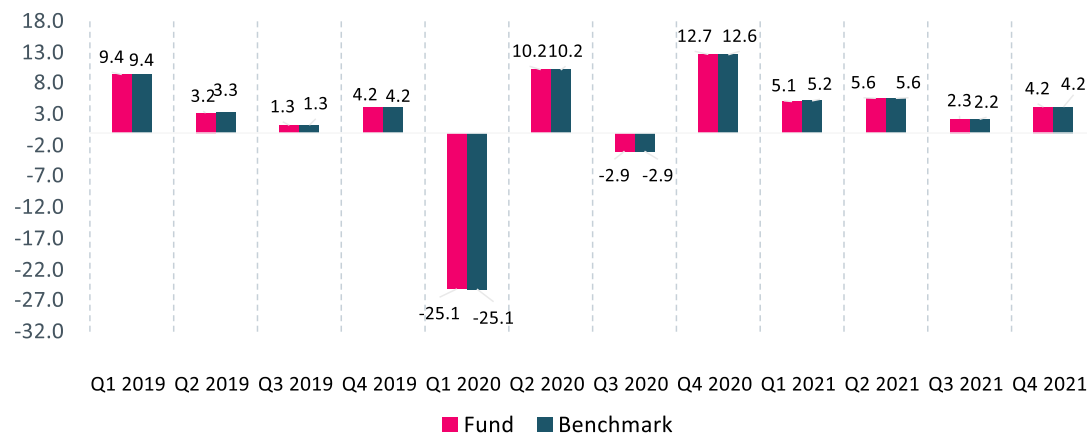
In Q3 2021, the UK outperformed wider equity markets due to its higher than average exposure to energy companies which benefited from rising oil and gas prices. A weakening Sterling also boosted the value of returns from overseas revenue. In Q4 2021, the UK market also proved resilient delivering strong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

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

Fund Performance vs benchmark



Historical Performance/Benchmark



LCIV JP Morgan Emerging Markets

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

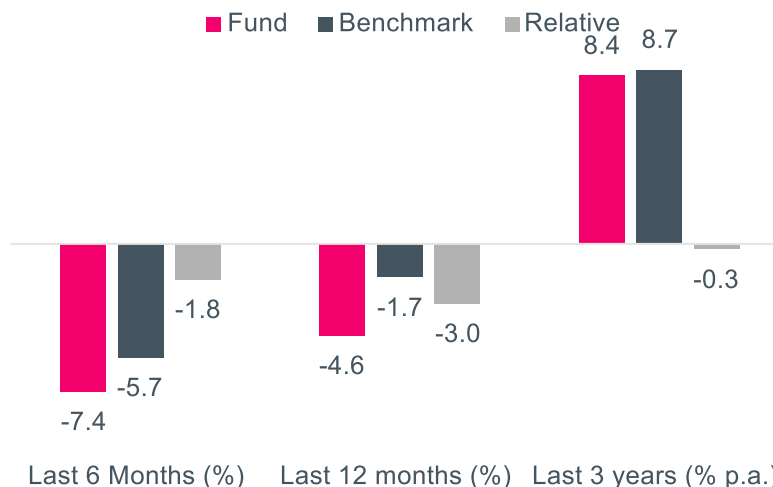
Both sector allocation and stock selection detracted from the fund's performance. Financial stocks contributed most to the underperformance, driven by China and India's zero-tolerance COVID-19 policies. HDFC Bank in India and insurer AIA (headquartered in Hong Kong), both fell victim to Omicron due to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

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

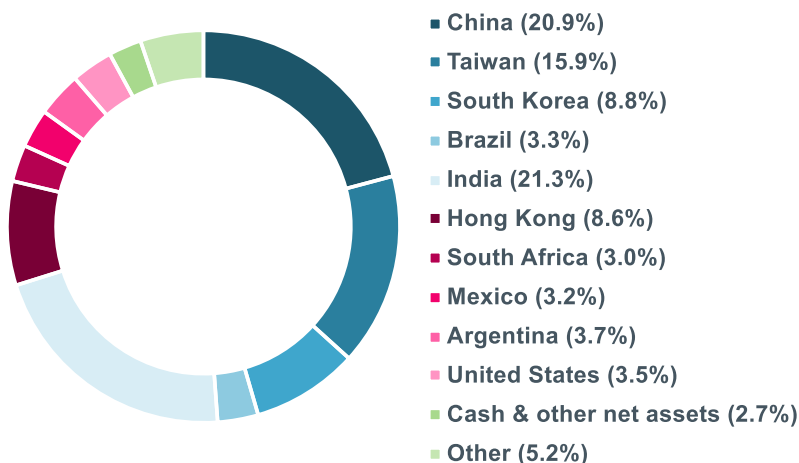
The manager believes three factors will impact emerging market equities in the short to medium term: COVID-19 concerns, cyclical sectors and the regulatory environment in China.

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

Fund Performance versus benchmark



Fund Regional Allocation



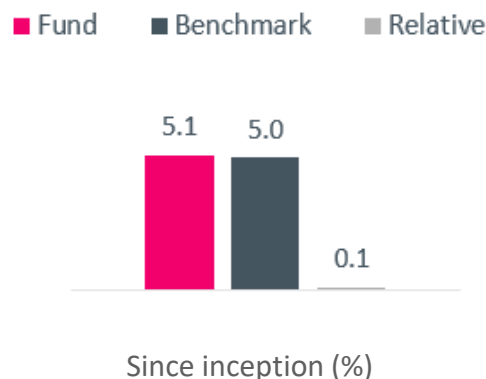
Blackrock ACS World Low Carbon

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

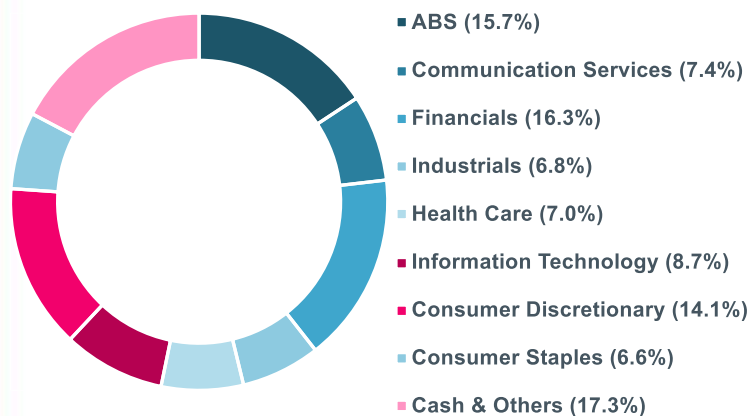
The Fund aims to closely track the performance of the MSCI World Low Carbon Target Reduced Fossil Fuel Index.

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

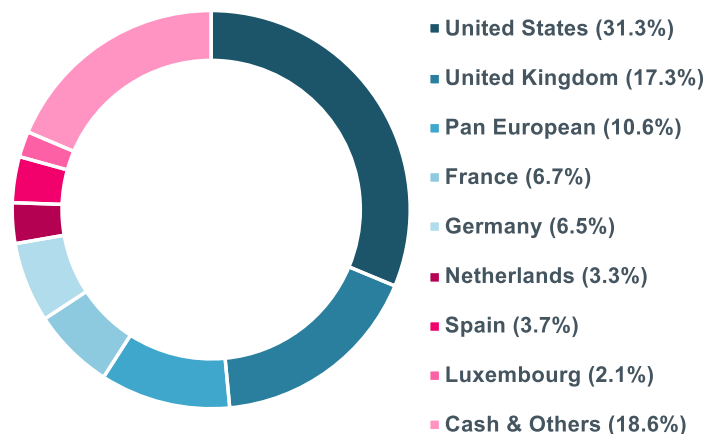
Fund performance vs benchmark



Sector allocation



Geographical breakdown



Capital Dynamics Private Equity

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

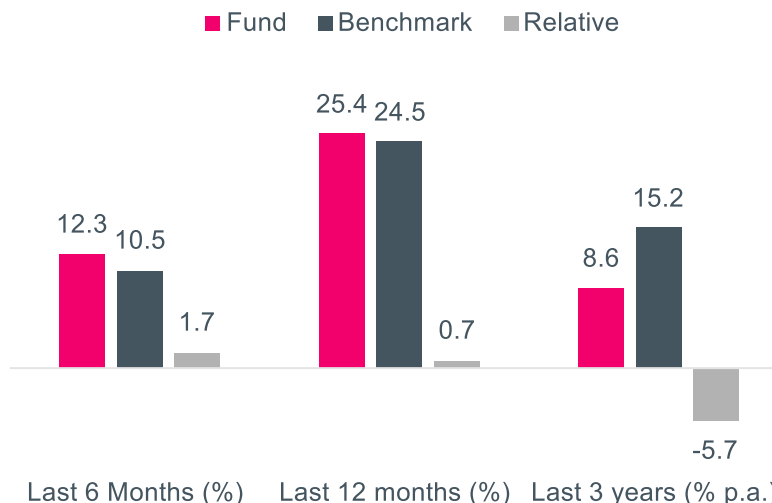
Based on information provided by Northern Trust, the fund returned 12.3% over the period ahead of its benchmark of 10.5% by 1.6%.

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

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

The investment is at a mature stage meaning assessing the IRR (a percentage value) alongside the TVPI carries greater weight. As at 31 March 2021 the IRR was 13.0% with a TVPI of 1.66x.

Fund performance vs benchmark



Summary as at 30 June 2021

Total contributed: c.91.5%

IRR: 10.4%

TVPI: 1.7x

LCIV Baillie Gifford Multi-asset

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

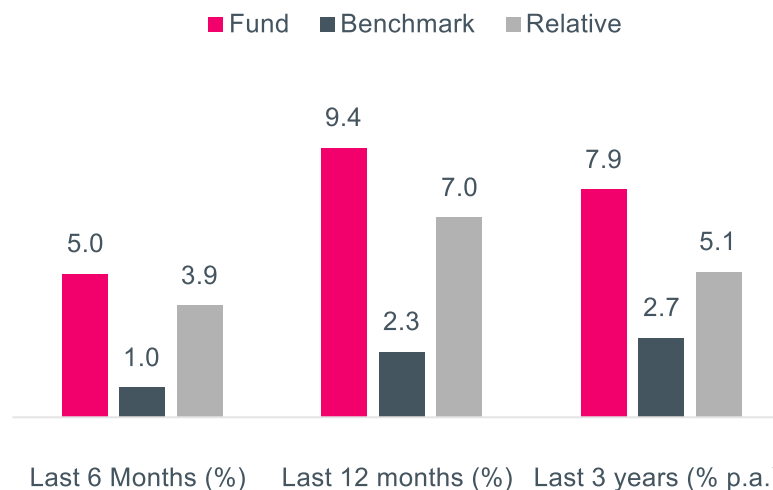
Key contributors to performance were the fund's exposures to listed equities, property and infrastructure.

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

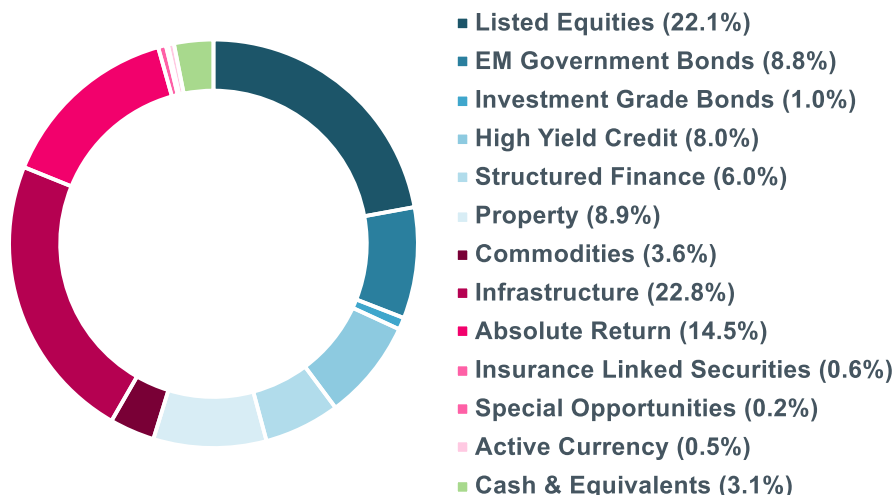
The manager made changes to its absolute return allocation, with a new position in an oil backward dated strategy and a volatility strategy which looks to perform well in spells of low volatility. Listed equity allocations were reduced to lower the number of cyclical stocks.

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

Fund Performance versus benchmark



Fund Asset Allocation



LCIV Ruffer Multi-asset

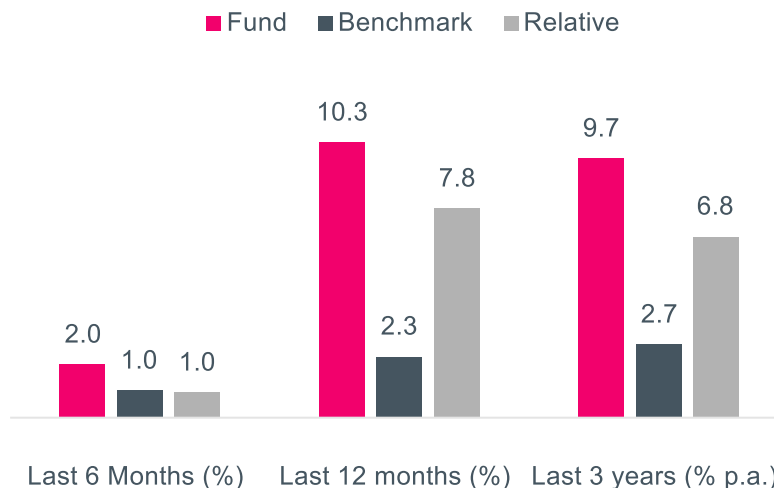
The Ruffer Multi-Asset fund returned 2.0% over the last 6 months, outperforming the benchmark by 1.0%. Longer term performance remains strong.

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

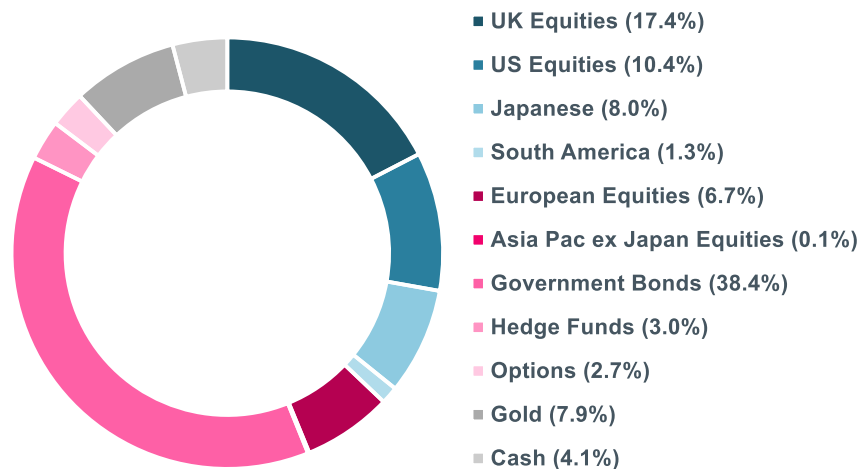
Due to poor performance in Q3, Ruffer reduced exposure to gold and gold producers, however these performed well in Q4, adding 0.7% to performance. Additionally, the manager adjusted its interest rate exposure during Q4 in response to increased volatility in the bond markets, which saw the fund incur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

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

Fund Performance versus benchmark



Fund Asset Allocation



Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

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

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

Remaining capital commitments as at 30 September are as follows:

Alinda II: \$3,308,129

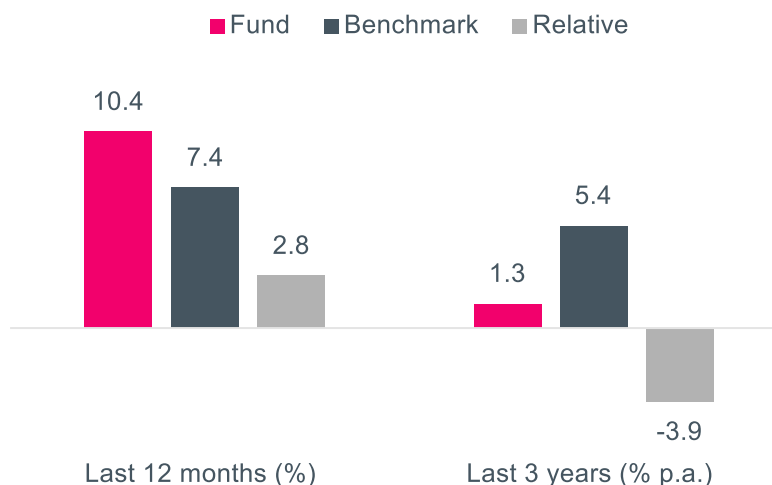
Alinda III: \$8,174,528

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

Alinda II: \$1,302,381

Alinda III: \$277,960

Fund performance vs benchmark



Summary as at 30 September 2021 (\$)

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

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

LCIV Infrastructure

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

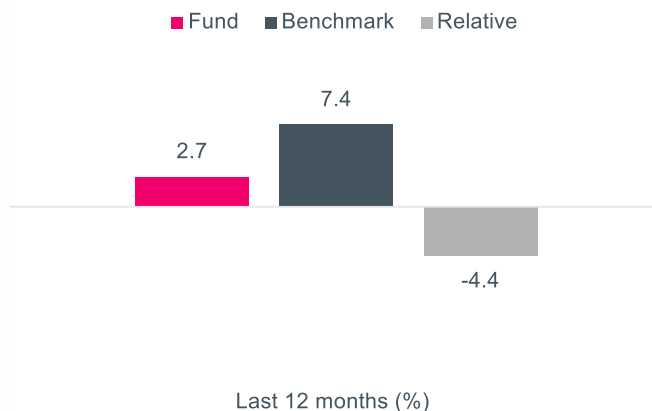
The LCIV Infrastructure fund is managed by Stepstone.

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

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

The LCIV Infrastructure fund is in the ramp-up stage, with a further £1.5m drawn down over Q3, bringing the NAV at 30 September 2021 to £15.6m (provided by LCIV). This NAV will be different to that provided by Northern Trust (NT) in their 30 September 2021 report due to the need for estimation by NT given the lagged reporting of actual NAV.

Fund performance vs benchmark

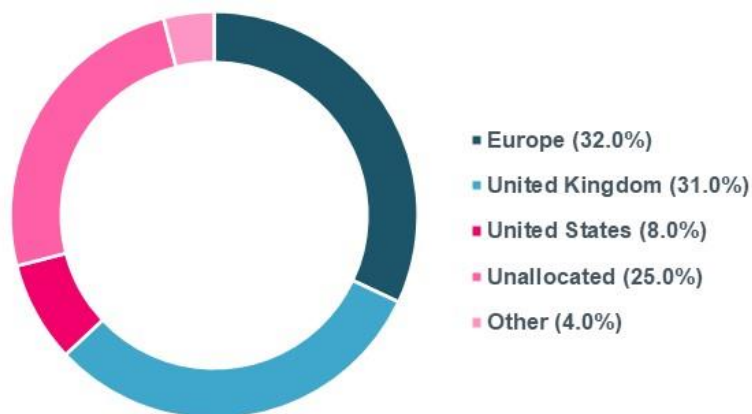


Fund Statistics as at 30 September 2021 (£m)

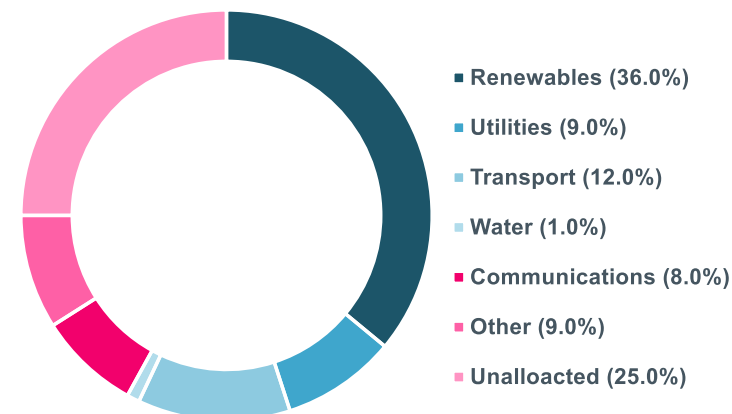
Capital committed	£50.0
Total contributed	£15.3
Distributions	£0.0
Value created	£0.3
Net asset value *	£15.6

*as provided by LCIV

Fund Geographical Allocation (30 September 2021)



Fund Sector Allocation (30 September 2021)



Capital Dynamics Infrastructure

Target: Absolute return of 8.0% p.a.

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

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

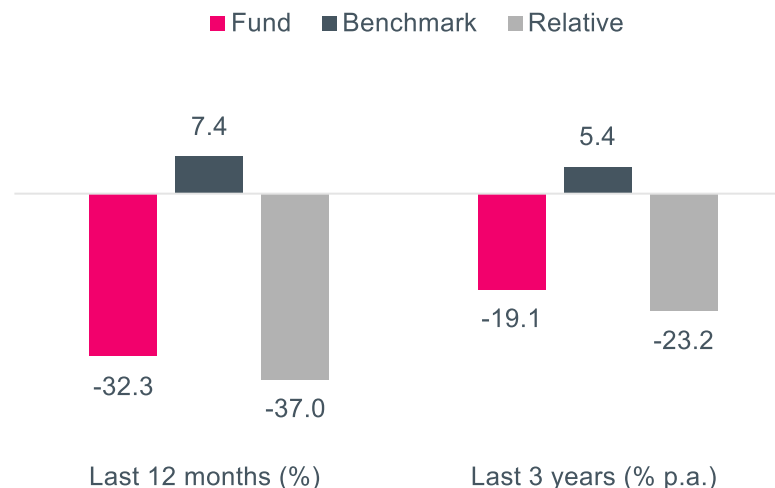
With the Fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

Reporting on underlying commitments is as at 30 September 2021 due to the lag in reporting from the manager, which is typical for funds of this nature.

As can be seen by both the IRR and TVPI, performance has been lower than expected to date, although running performance has marginally improved over the 6 months since 31 March 2021.

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

Fund performance vs benchmark



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

Capital committed \$15.0

Total contributed \$14.7

Distributions \$1.2

Value created (\$5.4)

Net asset value \$8.1

Net IRR since inception (5.7%)

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

LCIV Private Debt Fund

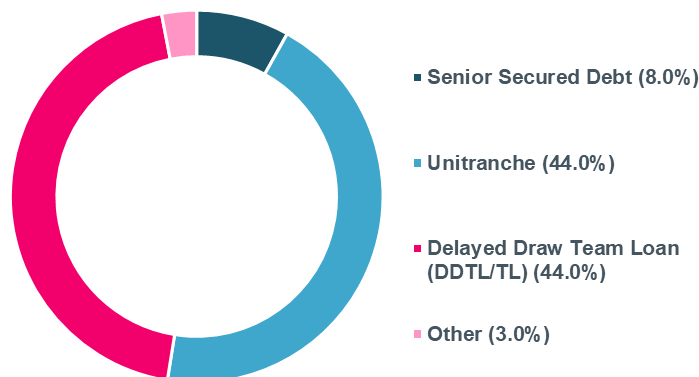
Target: Absolute return of c6.0%

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

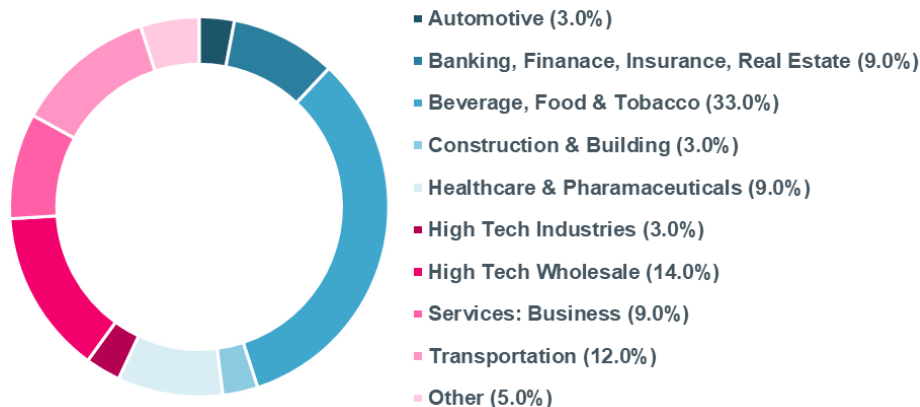
The two key metrics to assess performance for private debt investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

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

Portfolio investment type



Sector allocation



LCIV CQS Multi Credit

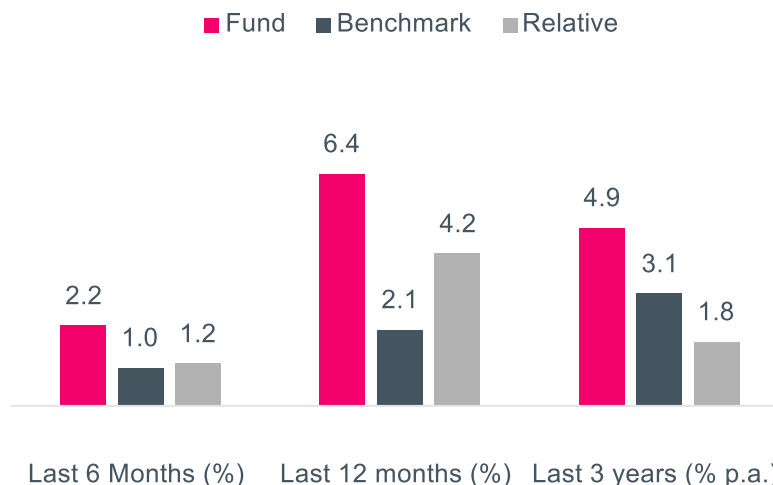
Over the second half of 2021 the LCIV's multi-asset credit strategy returned 2.2% against a benchmark of 1.0%. Performance was broadly similar over the two quarters. 12 month performance has been strong, with the fund returning 6.4%. This recent improvement in performance has resulted in longer term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

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

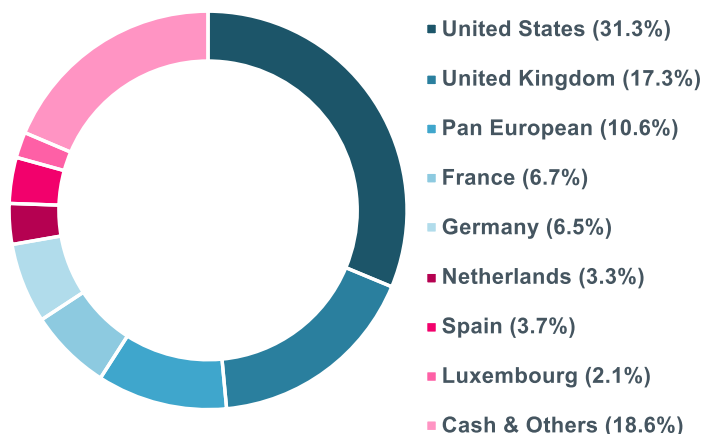
Volatility continued into Q4 although strong corporate balance sheets and earning growth lent fundamental support.

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

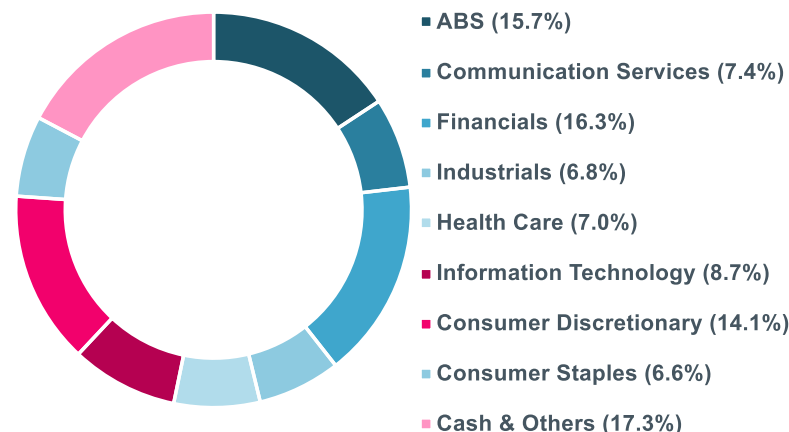
Fund performance vs benchmark



Country Weights



Sector Weights



BlackRock UK Gilts

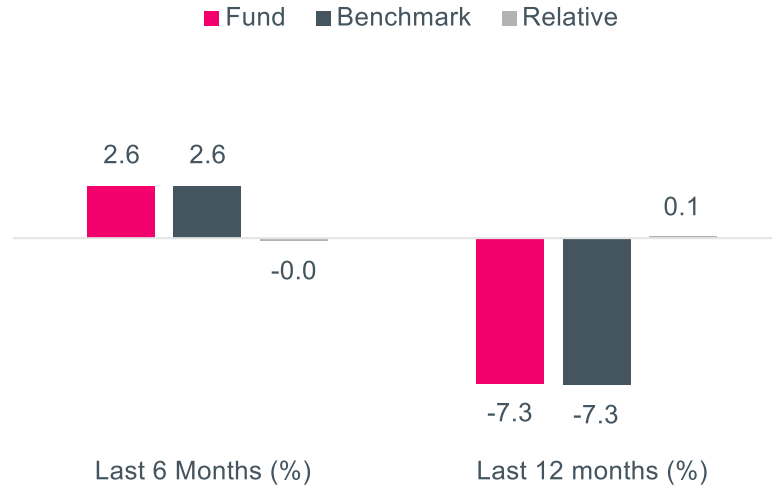
BlackRock were appointed in March 2019 to oversee the Fund's bond allocation.

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

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

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Fund performance vs benchmark



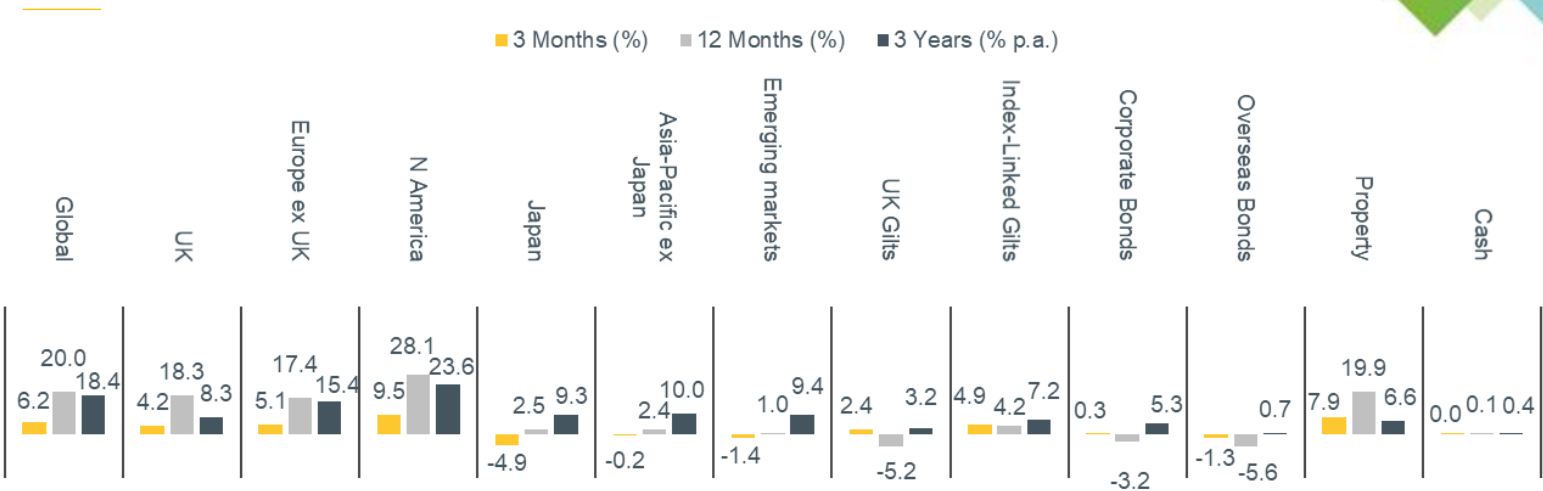
Economic momentum has slowed as rising COVID cases have led to a modest re-imposition of restrictions and increasing social distancing. This is expected to weigh on growth in Q4 2021 and Q1 2022, but we still anticipate above-trend growth in 2022.

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

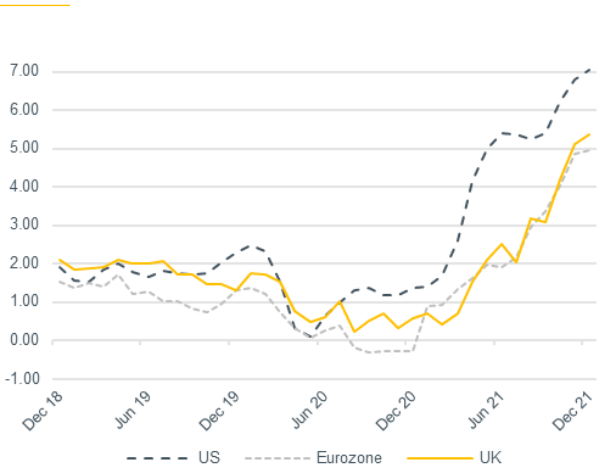
Trade-weighted sterling rose 1.7% through the quarter as markets adjusted for the earlier than expected rate rises. The US dollar rose 0.6% in trade-weighted terms, perhaps reflecting both safe haven appeal and slightly more hawkish messaging from the Federal Reserve.

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

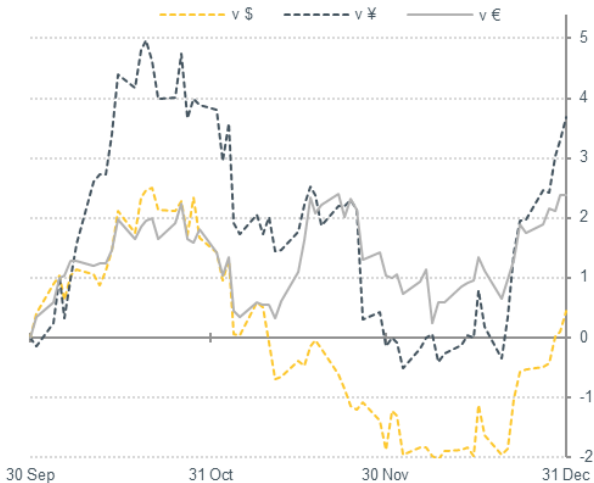
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property; UK Interbank 7 Day.

Market Background

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

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

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

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

Dashboard

Strategy / Risk

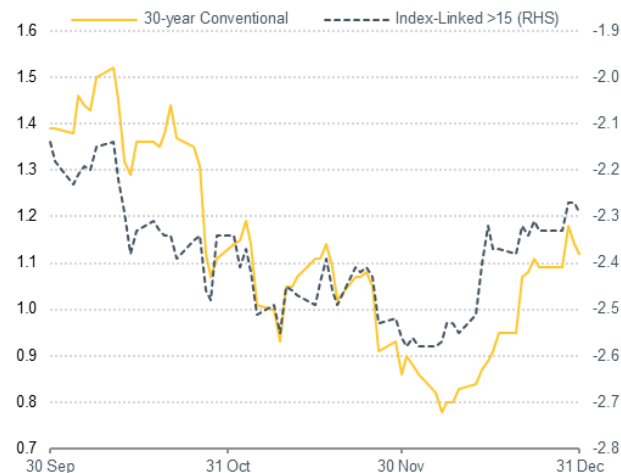
Performance

Managers

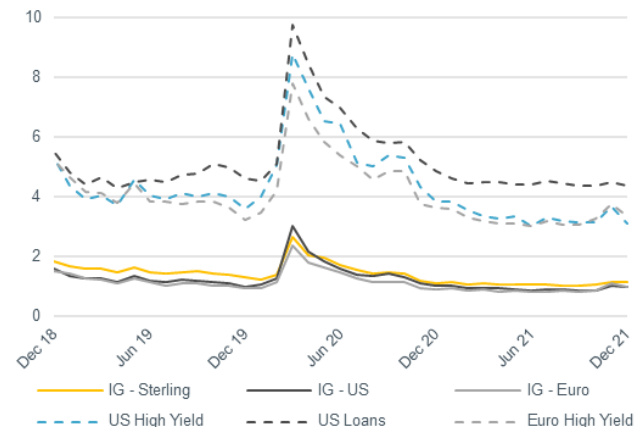
Background

Appendix

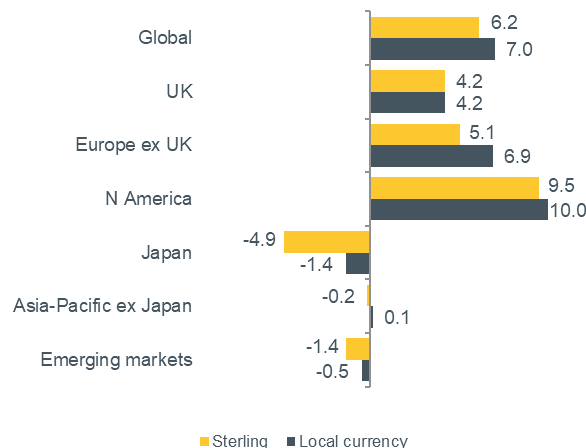
Gilt yields chart (% p.a.)



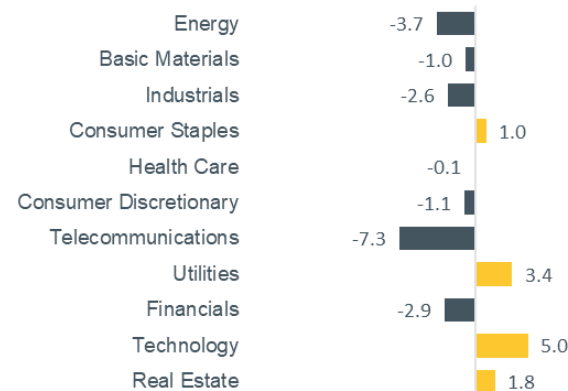
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns ^[1]



Global equity sector returns (%) ^[2]



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

Hymans Rating

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

Responsible Investment

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

Risk Warning

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

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

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Geometric v Arithmetic Performance

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

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


Some industry practitioners use the simpler arithmetic method as follows:

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

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

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

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	Pensions Fund Sub-Committee 21 February 2022 Pension Board 24 March 2022
	Report from the Director of Finance
Net Zero Transition Roadmap Update	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One <ul style="list-style-type: none"> Roadmap to net zero - update
Background Papers:	Net Zero Transition Roadmap – 5 October 2021
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	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 This report presents an update on progress against the Fund's net zero transition roadmap.

2.0 Recommendation(s)

That the Pension Fund Sub-Committee:

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

3.0 Detail

- 3.1 The Fund's investment advisors, Hymans Robertson, have prepared the attached report, in Appendix 1, which provides an update on work undertaken with officers on progress against the roadmap that was previously agreed with the Pensions Fund Sub-Committee ("Committee").
- 3.2 Responsible investment, in particular climate risk, continues to dominate the LGPS and broader investment landscape. Therefore it is important for the Fund to evolve its investment strategy to take account of the opportunities and risks presented by climate change.
- 3.3 The Fund has made good progress to date in this regard with a number of important steps taken:
 - Dedicated Responsible Investment ("RI") training sessions for Fund Officers and Committee members;
 - Introduction of RI focussed investment beliefs;
 - Investment in a new low carbon mandate (BlackRock ACS World Low Carbon Equity Tracker) and a new infrastructure fund with a significant allocation to renewables (LCIV Infrastructure Fund); and
 - Updated Investment Strategy Statement (ISS) to reference carbon goals.
- 3.4 At the last Committee meeting in October 2021, the Committee was presented with a practical 'roadmap' to net zero for the Fund, which considered the following key principles:
 - A background to RI and key themes/principles that will require due consideration by the Fund as part of the net-zero journey.
 - Developing a Net Zero Framework in the form of 5 key areas to drive forward the Fund's strategy.
 - A short and medium term roadmap for each key area within the framework.
 - Potential targets (both long term and interim) for further consideration and an initial list of equity funds.
- 3.5 The report discusses the following key topics:

- Progress against the short term road map (12-18 months) which was agreed at the last meeting;
- A review of the key challenges facing the Fund from decarbonisation;
- The strategic context considering the Fund's current carbon emissions and the levers available to the Fund: capital allocation supported by ongoing engagement;
- Agree carbon metrics to be monitored;
- Introduce carbon metrics reporting into quarterly performance report;
- Assess feasibility of different net zero target dates.

4.0 Financial Implications

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

5.0 Legal Implications

- 5.1 The Committee holds a key fiduciary responsibility to manage the Fund's investments in accordance with its investment strategy and in the best interests of the beneficiary members and the council tax payers, where the primary focus must be on generating an optimum risk adjusted return. It is vital that any investment decision must not negatively impact on this primary responsibility.
- 5.2 The administering authority has fiduciary duties both to scheme employers and scheme members and the investment strategy must be exercised for investment purposes, and not for any wider purposes. Thus, investment decisions must be spread across a wide variety of investments classes and achieve a balanced risk and return objective.
- 5.3 The choice of investments can be influenced by RI and ESG considerations, so long as that does not risk material financial detriment to the Fund.

6.0 Equality Implications

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

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

- 8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

Roadmap to net zero

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London Borough of Brent Pension Fund

Kenny Taylor, Investment Consultant

Kameel Kapitan, Investment Consultant

21 February 2022



Introduction

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

Short-term roadmap

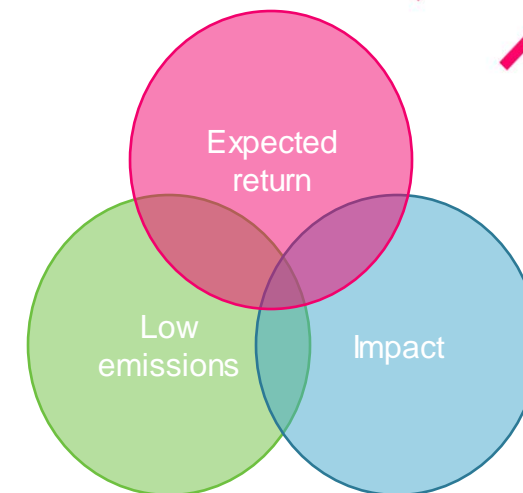
Workstream	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Education	Training (5 October 2021 meeting) Begin review of RI beliefs/priorities (capturing 'E', 'S' & 'G')	Training (21 February 2022 meeting) Complete review of RI beliefs/priorities (capturing 'E', 'S' & 'G') Define stewardship role and monitoring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

Introduction



Some key decarbonisation challenges

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



Achieving a good balance is key



Sustainable investment can be about more than limiting climate change

Strategic context



Key points

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

Two levers: capital allocation supported by ongoing engagement

Strategic context

Current position

Growth assets (c£650m)

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

Income assets (c£300m)

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

Protection assets (c£175m)

- Multi-asset credit fund, gilts and cash

Capital allocation

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

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

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

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

Monitoring and engagement

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

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

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

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

Framework to support Fund's climate ambitions

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

Carbon metrics

Develop reporting of carbon metrics and monitoring against targets metrics

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

Opportunities

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

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

Engagement

Engage with LCIV, managers and other stakeholders to bring change

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

Net zero

Achieve Net Zero carbon emissions for the Fund

Carbon metrics



Key points

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

Proposed metrics (initial phase)

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

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

Forward looking metrics

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

Forward looking metrics

Aggregated Warming Potential

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

Low Carbon Transition Score

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

Estimated Impact of 2°C Scenario

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

Forward looking estimates of carbon emissions

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

Carbon reporting



Initial climate risk analysis as at 31 December 2021

Climate Risk Analysis

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

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

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

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

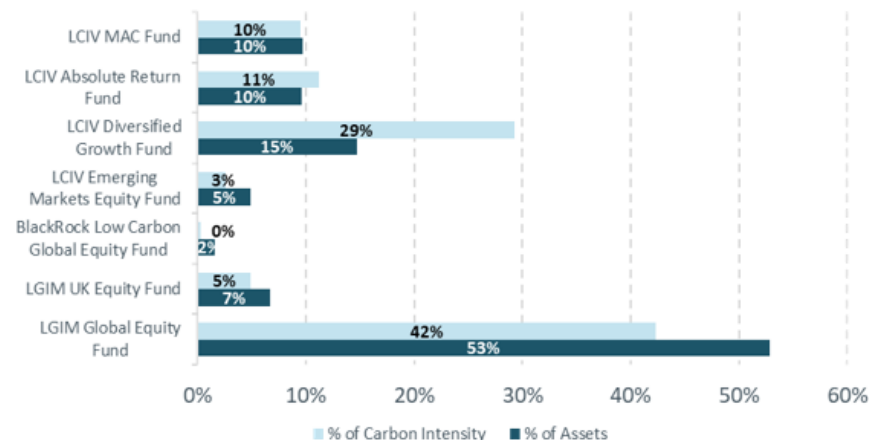
Dashboard Strategy / Risk **Performance** Managers Background Appendix

Climate Risk Overview

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

*Composite benchmark reflects individual mandate benchmarks weighted by proportion invested

Carbon Intensity by Manager



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

Setting a net zero target date

The Paris Agreement

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



197
Signatories

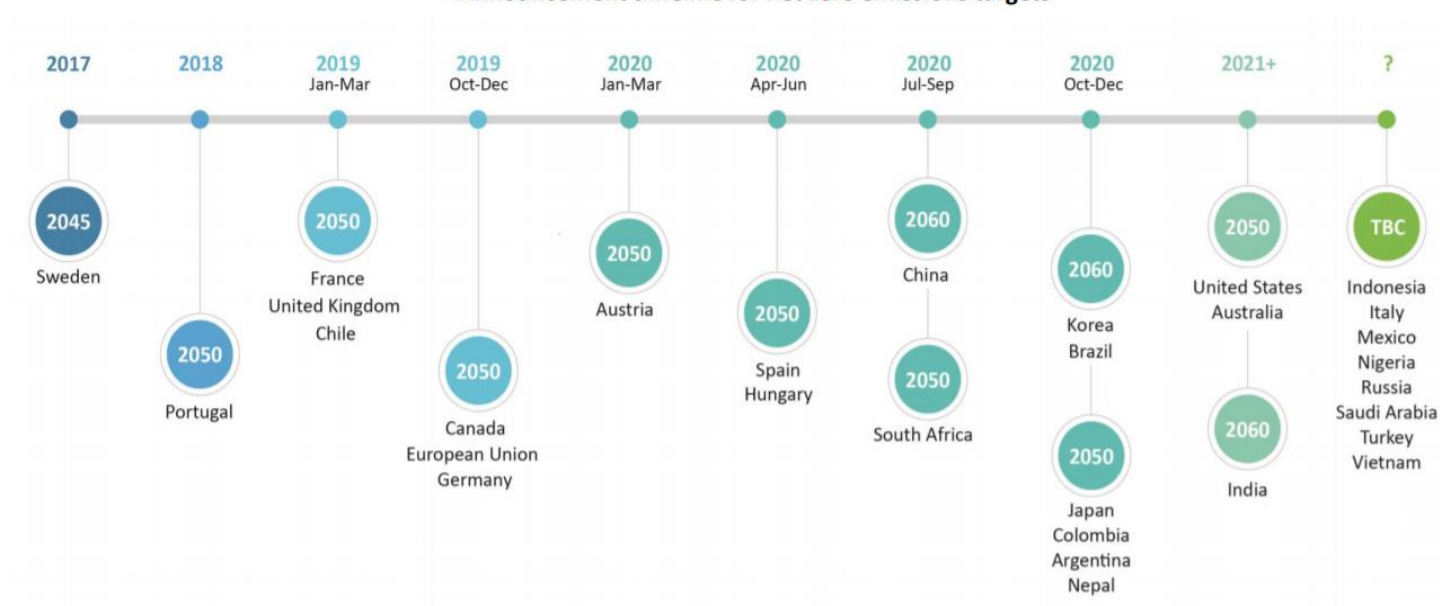


1.5°C
Limit global
warming



2050
Net zero
timeframe

Announcement timeline for net zero emissions targets



Example net zero goals and considerations

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

Source: ClimateWatch

Setting an appropriate target date

2040

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

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

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

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

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

2030?

2050?

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

A date other than 2040 presents greater challenges

Actions and interim targets

Portfolio level

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

Asset class level

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

Targets to be refined and agreed

Next steps



Developing the Fund's climate ambitions

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

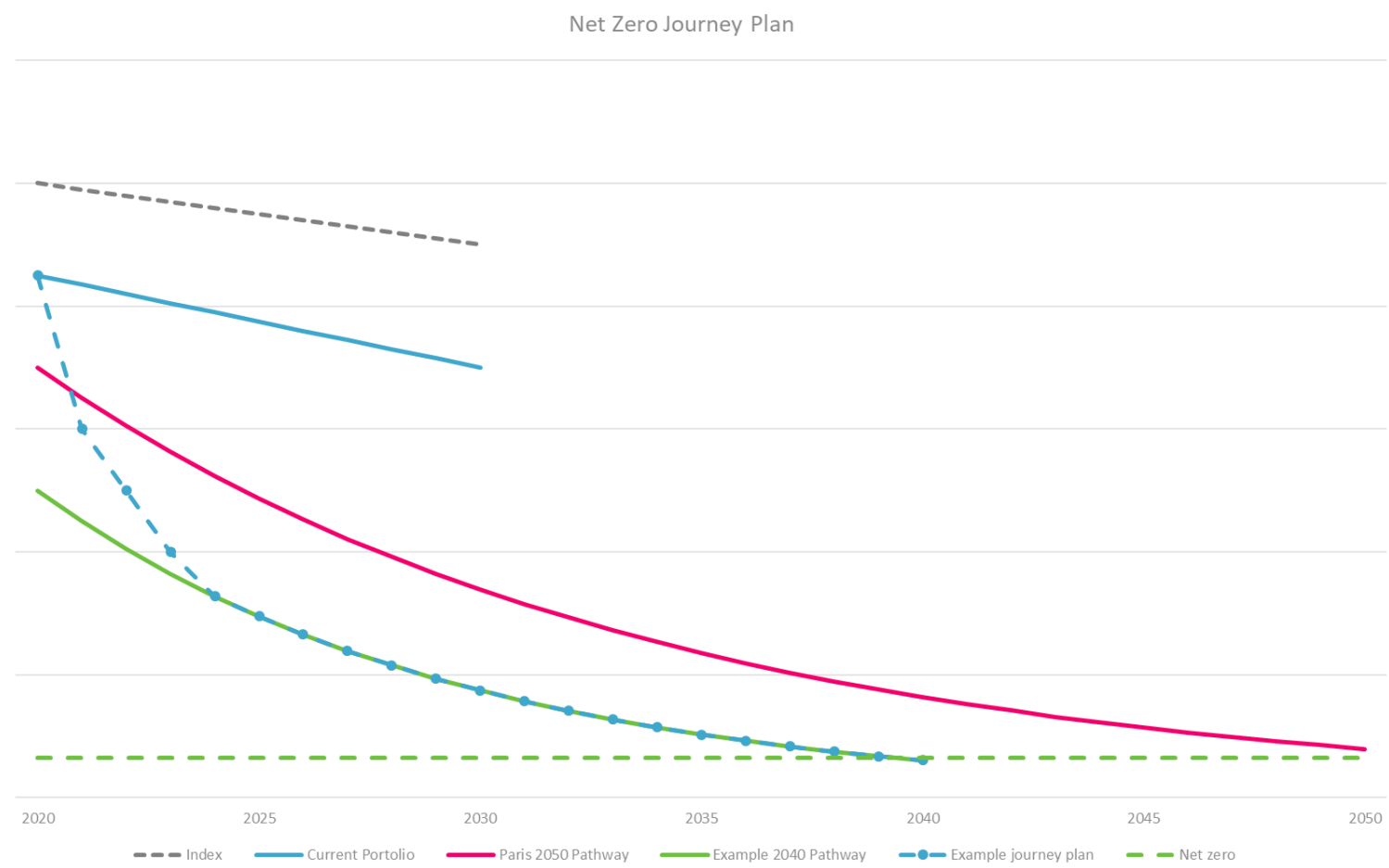
Framework will support decisions taken on capital allocation and focus areas for ongoing engagement

Appendix



Net zero journey plan – illustration only

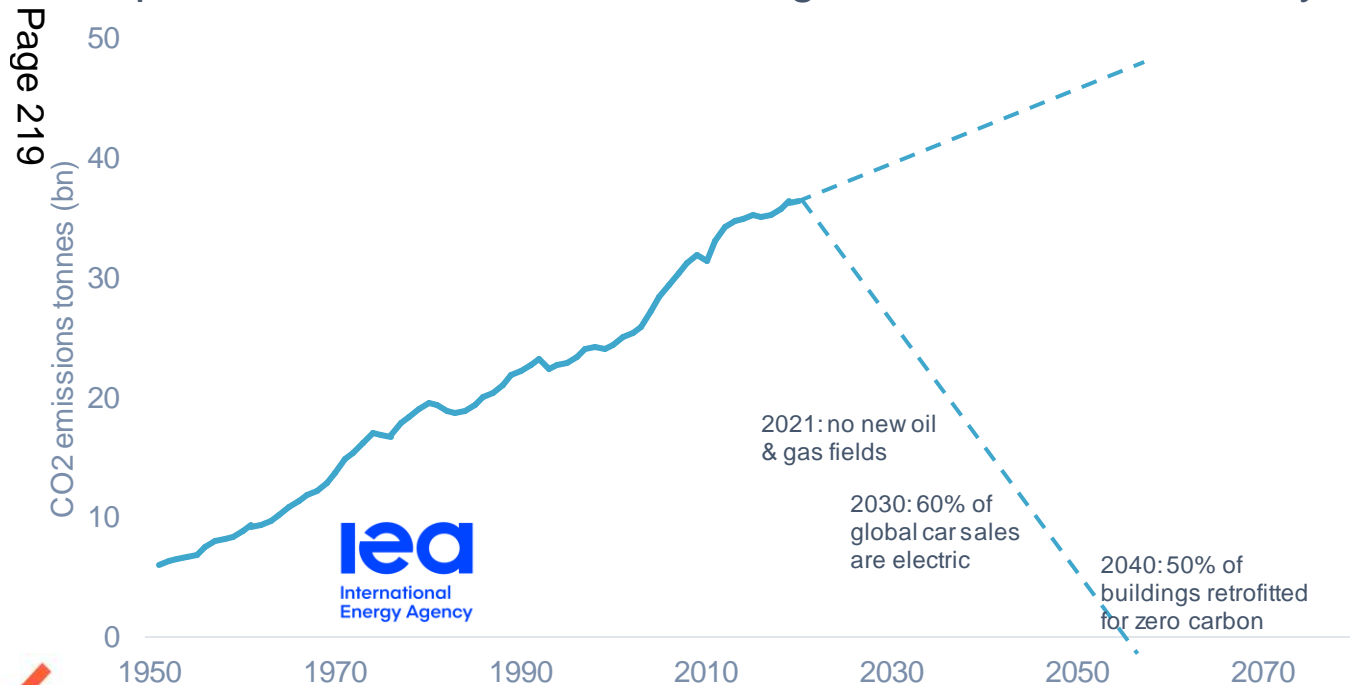
- The following graph sets out an illustrative journey plan for the Fund. The pink line shows the Paris pathway, targeting net zero by 2050 and the green dotted line illustrates the net zero target. For the Fund to achieve its net zero objective by 2040, it would need to reduce portfolio emissions (blue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





Net zero and the impact of policy

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



Limited policy action

>2 degree warming by 2100
Significant **physical** risks

Strong policy action:

<2 degree warming by 2100
Significant **transition** risks

Pathways create stranded assets

Key climate risks

Physical risks

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

Transition risks

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

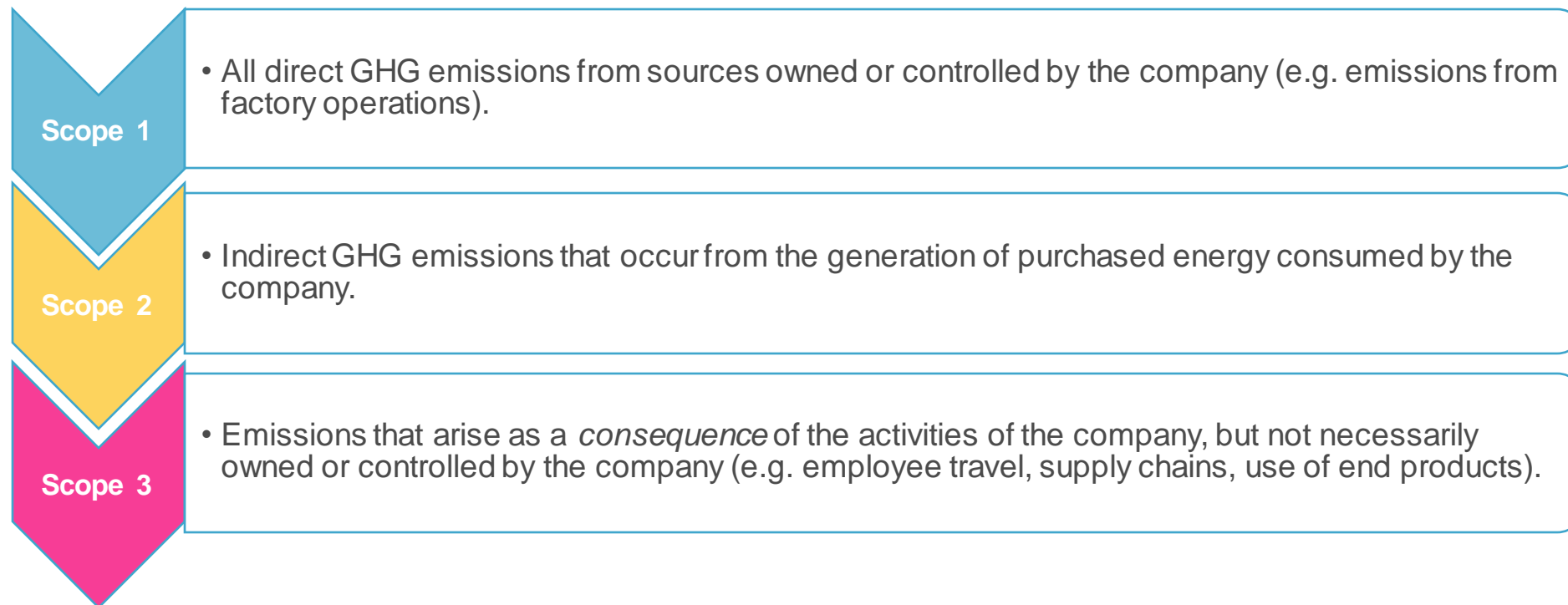
Liability risks

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

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

What are Scope 1, 2 and 3 Emissions?

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



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

Sustainable Development Goals

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



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Thank you

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Risk warning

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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, investments 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 overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

	Pensions Fund Sub-Committee 21 February 2022 Pension Board 24 March 2022
	Report from the Director of Finance
Actuarial Assumptions	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	PART EXEMPT - as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	Two <ul style="list-style-type: none"> Actuarial valuation at 31 March 2022 - Advice on assumptions (Summary) Actuarial valuation at 31 March 2022 - Advice on assumptions (Full Report – exempt from publication)
Background Papers:	<ul style="list-style-type: none"> N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

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

2.0 Recommendation(s)

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

3.0 Detail

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

4.0 Financial Implications

- 4.1 Not applicable.

5.0 Legal Implications

- 5.1 Not applicable.

6.0 Equality Implications

- 6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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London Borough of Brent Pension Fund

Actuarial valuation at 31 March 2022

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Advice on assumptions



Douglas Green FFA



Peter MacRae FFA

24 January 2022

For and on behalf of Hymans Robertson LLP

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




Summary of recommendations

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

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

	Pensions Fund Sub-Committee 21 st February 2022 Pension Board 24 March 2022
	Report from the Director of Finance
Brent Pension Fund: Annual Report and Accounts 2020/21	

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

1.0 Purpose of the Report

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

2.0 Recommendation(s)

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

3.0 Detail

- 3.1 Attached in Appendix 1 is the final version of the Pension Fund Annual Report for the year ended 31 March 2021.

- 3.2 The Pension Fund Annual report, which includes the annual accounts, was published by the Fund ahead of the statutory 1st December 2021 deadline.
- 3.3 Grant Thornton have given an unqualified opinion on the Pension Fund accounts and annual report. The Brent Pension Fund were the first local authority pension fund audited by Grant Thornton to have their annual report review completed.
- 3.4 The accounts have been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) governing the preparation of the 2020/21 financial statements for Local Government Pension Scheme funds. The accounts aim to give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2021. The audit of the accounts and annual report commenced in July, and was completed by 30th November.
- 3.5 During 2020/21, the value of the Pension Fund's investments has increased to £1,032m (2019/20 £835m). This is due to the strong performance of global and emerging equities in particular as markets recovered from the pandemic.
- 3.6 Total contributions received from employers and employees were £61m for the year, an increase on the previous year's £60m. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £42m, a decrease on the previous year's £48m.
- 3.7 As in 2019/20, the Pension Fund is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits.
- 3.8 Pension Fund administration has seen significant improvements in recent years and the 2020/21 indicators shows a significantly lower number of outstanding cases at year end compared to 2019/20. Additionally, the Fund's conditional data score showed improvement through the year increasing from 68% to 82%. Administration expenses increased due to a higher annual contract fee from Local Pensions Partnership Administration and bespoke data cleanse projects commissioned by the Fund.
- 3.9 The Pension Fund annual report also incorporates the Pensions Administration Strategy, Funding Strategy Statement and Communications Policy Statement which have been approved by the Committee at previous meetings.

4.0 Financial Implications

- 4.1 Not applicable.

5.0 Legal Implications

- 5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance

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Brent Pension Fund

Annual Report and Accounts 2020/21

Pensions Regulator Scheme Number: 10272080

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1. Chairman's Foreword

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

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

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

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

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

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

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

Cllr Shafique Choudhary
Chairman, Brent Pension Fund Sub-Committee

2. Management and Financial Performance

a. Scheme management and advisors

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

The Local Government Pension Scheme

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

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

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

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

The LGPS in brief

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

Governance

Governance Statement

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

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

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

Administering Authority

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

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

Governance Compliance

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

The full compliance statement is at page 28.

Pension Fund Sub-Committee

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

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

Pension Fund Sub-Committee Membership as at 31 March 2021

Chair: Cllr S Choudhary

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

Employee representatives: Elizabeth Bankhole (UNISON)

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

Pension Fund Sub-Committee Training

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

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

Conflict of Interests

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

Accountability and Transparency

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

b. Risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The Fund looks to achieve this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Pension Fund manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee.

Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

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

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

Third Party Risks

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

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

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

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

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

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

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

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

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

Other Investment Risk

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

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

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

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

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

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

c. Financial performance

Financial Summary

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

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

Analysis of Dealings with Scheme Members

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

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

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

Analysis of Management Expenses

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

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

Contributions

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

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

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

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

3. Investment Policy and Performance

Introduction

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

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

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

The cash balance is deposited with money market funds.

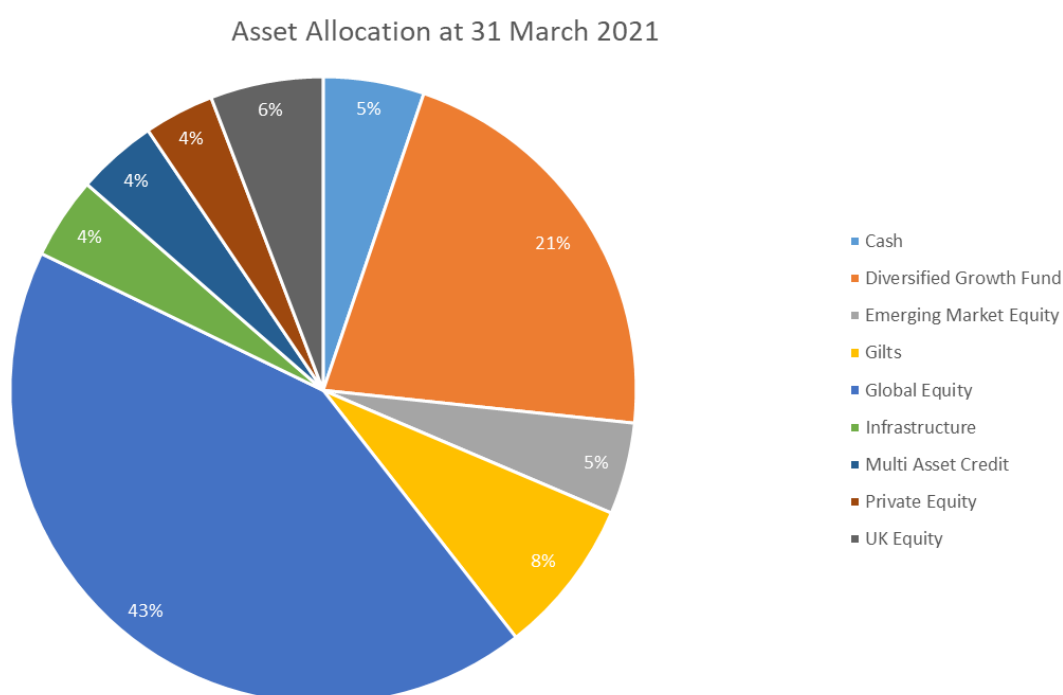
2020/21 Investment Results

Asset Allocation and Fund Performance

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

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

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



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

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

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

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

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

Comparison of investment performance with other LGPS Funds

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

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

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

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

Funding Strategy Statement (FSS)

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

Investment Strategy Statement (ISS)

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

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

4. Asset Pools

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

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

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

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

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

Pooled assets

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

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

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

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

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

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

Pool set-up and ongoing costs

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

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

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

Contact Details

The London CIV can be contacted as follows:

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

Telephone: 0208 036 9000

Website: londonciv.org.uk

Email: info@londonciv.org.uk

5. Scheme Administration

The Brent Pensions Team

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

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

The team's responsibilities include the following:

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

Operational costs

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

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

Value for Money Statement

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

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

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

Summary of Activity

Performance Indicators

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

Workflow summary

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

Staffing

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

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

Complaints

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

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

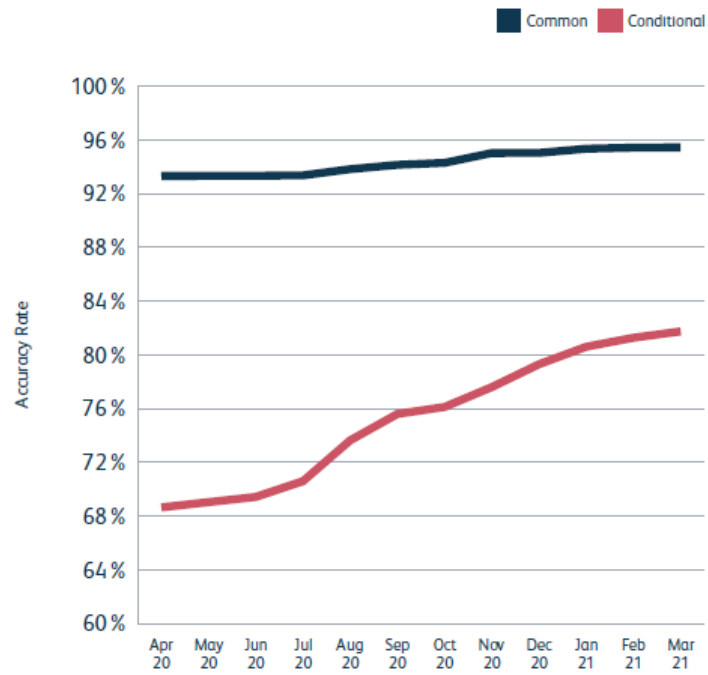
Dispute resolution procedure

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

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

Accuracy of data

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



Financial Indicators

Unit Costs per Member

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

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

Staffing Indicators

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

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

Other Information

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

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

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

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

6. Actuarial Information

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

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

In summary, the key funding principles are as follows:

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

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

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

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

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

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

Actuarial Statement for 2020/21

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

Description of Funding Policy

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

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 19 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 19 years.

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

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

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

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

*Aged 45 at the 2019 Valuation.

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

Experience over the period since 31 March 2019

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

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

Peter MacRae FFA

13 May 2021

For and on behalf of Hymans Robertson LLP

7. Governance

Annual Governance Statement

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

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

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

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

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

Training

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

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

Training provided in 2020/21 included:

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

Use of advisers

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

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

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

Communications with Fund employers and members

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

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

Governance Compliance Statement

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

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

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

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

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

8. Brent Pension Fund Accounts

Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2021

2019/20 £m		Notes	2020/21 £m
	Dealings with members, employers and others directly involved in the fund		
(60.0)	Contributions	7	(60.9)
(5.2)	Transfers in from other pension funds	8	(5.9)
(65.2)			(66.8)
47.9	Benefits	9	42.3
6.2	Payments to and on account of leavers	10	5.3
54.2			47.6
(11.1)	Net (additions)/withdrawals from dealings with members		(19.2)
3.8	Management expenses	11	4.2
(7.3)	Net (additions)/withdrawals including management expenses		(15.0)
	Returns on investments		
(1.2)	Investment income	12	(0.7)
0.0	Taxes on income		0.0
	(Profits) and losses on disposal of investments and		
34.1	changes in the market value of investments	13	(176.1)
32.9	Net return on investments		(176.8)
25.6	Net (increase)/decrease in the net assets available for benefits during the year		(191.8)
(864.6)	Opening net assets of the scheme		(839.0)
(839.0)	Closing net assets of the scheme		(1,030.7)

Net Assets Statement

31 March 2020 £m		Notes	31 March 2021 £m
835.3	Investment assets	13	1,032.3
835.3			1,032.3
4.0	Current assets	19	1.5
0.0	Non-current assets	19	0.0
(0.4)	Current liabilities	20	(3.1)
839.0	Net assets of the fund available to fund benefits at the end of the reporting period		1,030.7

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2021 but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 18.

Notes to the Brent Pension Fund accounts

1. Description of Fund

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

The following description of the Fund is a summary only.

a) General

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

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Brent Pension Fund include:

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

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

Scheduled bodies

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

Queens Park Community School
 St Andrews and St Francis School
 St Gregory's RC High School
 St Margaret Clitherow School
 Sudbury Primary School
 The Village School
 Wembley High Technology College
 Woodfield School Academy

Admitted bodies

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

31 March 2020	Brent Pension Fund	31 March 2021
40	Number of employers with active members	41
	Number of employees in scheme	
5,239	Brent Council	4,457
1,834	Other employers	1,928
7,073	Total	6,385
	Number of pensioners	
6,320	Brent Council	6,157
666	Other employers	703
6,986	Total	6,860
	Deferred pensioners	
6,975	Brent Council	7,025
935	Other employers	1,163
7,910	Total	8,188

c) Funding

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

d) Benefits

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

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

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment management expenses

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

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

Net Assets Statement

h) Financial assets

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

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

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

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

iv) Limited partnerships

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

v) Pooled investment vehicles

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

i) Contingent Assets

Admitted body employers in the Brent Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 24.

j) Foreign currency transactions

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

k) Derivatives

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

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

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

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 18).

o) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 21).

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

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

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £185m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £10m, and a one-year increase in assumed life expectancy would increase the liability by around 3 to 5%.

Private equity/infrastructure	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £81m. There is a risk that this investment may be under- or overstated in the accounts.
Effect of Coronavirus pandemic on investment valuations	Due to the uncertainties in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation of the Fund's level 3 investments may be affected and the valuations may be mis-stated. The Fund's private equity and infrastructure investments are usually valued in the accounts based on the 31st December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into account recent events relating to the Covid-19 pandemic.	There is a risk that this investment may be under- or overstated in the accounts. The Fund's investment advisors estimate this to be up +/- 27.1% of the reported value. Further detail is provided in note 16.

6. Events after the Reporting Date

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

7. Contributions receivable

By category

	2019/20	2020/21
	£m	£m
Employees' contributions	8.5	9.5
Employers' contributions:		
Normal contributions	45.6	47.4
Deficit recovery contributions	1.7	1.7
Augmentation contributions	4.3	2.3
Total employers' contributions	51.5	51.5
Total	60.0	61.0

By authority

	2019/20	2020/21
	£m	£m
Administering Authority	47.8	47.9
Scheduled bodies	10.3	11.6
Admitted bodies	1.8	1.5
Total	60.0	61.0

8. Transfers in from other pension funds

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

9. Benefits payable

By category

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

By authority

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

10. Payments to and on account of leavers

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

11. Management Expenses

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

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

a) Investment management expenses

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability {see Appendix A, paragraph AG13 of IAS 39}. An incremental cost is one that would not have been incurred if the authority had not acquired, issued or disposed of the financial instrument.

12. Investment income

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

13. Investments

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

13a) Investments 20/21

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

Investments 19/20

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

13b) Analysis of investments by category

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

13c) Investments analysed by fund manager

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

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

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

d) Stock lending

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

14a. Valuation of financial instruments carried at fair value

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investment s	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 investment s – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any

				differences between audit and unaudited accounts
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Sensitivity of assets valued at Level 3

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

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

14b. Fair value hierarchy

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

Level 1

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

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

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

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

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

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

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

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

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

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

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

14c. Transfers between Levels 1 and 2

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

14d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2020	84.3
Transfers into Level 3	0
Transfers out of Level 3	0
Purchases	19.2
Sales	(9.0)
Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	(13.4)
Value at 31 March 2021	81.1

15. Classification of financial instruments

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

31 March 2020			31 March 2021		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
Financial assets					
697.0			897.4		
0.1			0.0		
84.3			81.1		
	53.9			53.8	
	4.0			1.5	
781.4	57.9	0.0	978.5	55.3	0.0
Financial assets			Financial liabilities		

		(0.4)	Creditors			(3.1)
0	0	(0.4)	Total Financial liabilities	0	0	(3.1)
781.4	57.9	(0.4)	Net Financial assets	978.5	55.3	(3.1)

a) Net gains and losses on financial instruments

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

b) Fair value of financial instruments and liabilities

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

31 March 2020 Carrying Value £'000	Fair Value £'000		31 March 2021 Carrying Value £'000	Fair Value £'000
		Financial assets		
781.4	781.4	Fair value through profit and loss	978.5	978.5
57.9	57.9	Loans and receivables	55.3	55.3
839.3	839.3	Total financial assets	1,033.8	1,033.8
		Financial liabilities		
(0.4)	(0.4)	Financial liabilities at amortised cost	(3.1)	(3.1)
(0.4)	(0.4)	Total financial liabilities	(3.1)	(3.1)

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

16. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset

diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

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

a) Market risk

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

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

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

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

Other price risk – sensitivity analysis

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

Other price risk – sensitivity analysis

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

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

Asset Type	31/03/2021 Value	Potential value on increase	Potential value on decrease
Bonds	125.8	135.0	116.6
Equities	550.1	648.6	451.6
Other Pooled investments	221.5	246.8	196.2
Pooled Property investments	0.0	0.0	0.0
Private Equity/Infrastructure	81.1	103.0	59.2
Total	978.5	1,133.4	823.6

Interest rate risk exposure asset type

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

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

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

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

Asset type	Carrying amount as at 31 March 2021	+100BPS	100BPS
			-

	£m	£m	£m
Cash balances	53.8	0.5	(0.5)
UK Fixed income unit trust	42.8	0.4	(0.4)
Total	96.6	1.0	(0.9)

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

Currency risk

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

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

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

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

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

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

Total	522.3	5.2	(5.2)
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Assets exposed to currency rate risk	Asset value as at 31 March 2020	+1%	-1%
	£m	£m	£m
Overseas unit trusts	293.4	2.9	(2.9)
Overseas pooled property investments	0.1	0.0	(0.0)
Overseas private equity/infrastructure	84.3	0.8	(0.8)
Total	377.8	3.7	(3.7)

b) Credit risk

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

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

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

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

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

c) Liquidity risk

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

The Pension Fund has immediate access to its cash holdings.

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

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

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

Liquidity Risk

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

d) Refinancing risk

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

17. Funding arrangements

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

The key elements of the funding policy are:

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

council tax payer from an employer defaulting on its pension obligations.

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

At the 2019 actuarial valuation the Fund was assessed as 78% funded, which is a significant improvement to the 55% valuation at the 2016 valuation. This corresponded to a deficit of £248m (2016 valuation: £562m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 19 years from April 2019.

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

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

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

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

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

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

Mortality assumptions

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

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

Commutation assumption

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

18. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation

of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

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

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

Financial assumptions

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

Longevity assumption

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

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

* Future pensioners are assumed to be currently aged 45

Commutation assumption

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

Sensitivity Analysis

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

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

19. Assets

a) Current assets

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

Analysis of debtors

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

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

20. Current liabilities

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

Analysis of creditors

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

21. Additional voluntary contributions

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

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

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

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

22. Related party transactions

Brent Council

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

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

Governance

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

Key management personnel

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

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

23. Contingent liabilities

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

	31st March 2020	31st March 2021
	£m	£m
Capital Dynamics	13.9	12.6
Alinda Fund II	3.1	2.5
Alinda Fund III	9.5	5.7
London CIV Infrastructure Fund	49.5	37.6
Total	76.0	58.4

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

24. Contingent Assets

Contingent assets

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

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

25. Impairment Losses

The Fund had no impairment losses at 31 March 2021.

Statement of Responsibilities

The Fund's responsibilities

The Fund is required to:

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

Director of Finance's responsibilities

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

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

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

The Director of Finance has also:

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

Director of Finance's statement

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



Minesh Patel CPFA

Director of Finance

Date: 15th September 2021

9. Independent Auditor's Report

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

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

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

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

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate. The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities set out on page 63, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Paul Dossett

Paul Dossett, Key Audit Partner

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

London

29 September 2021

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

Opinion

The pension fund financial statements of Brent Pension Fund (the 'pension fund') administered by London Borough of Brent (the "Authority") for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

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

Pension Fund Annual Report – Pension fund financial statements

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

The audited financial statements and our report thereon

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

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

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

Auditor's responsibility

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

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

30/11/2021

10. Glossary

Active Management

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

Actuarial assumptions

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

Actuarial Valuation

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

Actuary

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

Administering Authority

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

Admitted Bodies

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

Alternative Investments

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

Asset Allocation / Asset Mix

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

Auditor

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

AVCs

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

Benchmark

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

Bond

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

Bulk Transfer

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

Cessation Valuation

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

Common contribution rate

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

Commutation

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

Contingent Liability

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

Covenant

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

Deficit

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

Discount rate

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

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

Dividends

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

Emerging Markets

The financial markets of developing economies.

Equities

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

Final Pay

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

Fixed Interest Securities

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

FTSE

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

Fund Manager

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

Funding Level

The ratio of assets value to liabilities value.

Funding Target

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

Future service rate

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

Gilts

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

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

Global Custodian

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

Guarantor

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

Hedge Fund

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

Hedging

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

Income Yield

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

Index

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

Index-Linked Securities

Investments which generate returns in line with an index.

Investment Adviser

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

Letting employer

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

LGPS

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

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

Liabilities

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

LIBOR

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

Mandate

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

Market Value

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

Maturity

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

Members

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

Orphan Liabilities

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

Outperformance / underperformance

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

Past service adjustment

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

Performance

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

Pooled Investment Fund

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

Pooling

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

Portfolio

Term used to describe all investments held.

Private Equity

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

Profile

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

Rates and Adjustments Certificate

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

Recovery Period

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

Regulations

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

Risk

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

Scheduled Bodies

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

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

Securities

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

Solvency

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

Stabilisation

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

Statement of Investment Principles

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

Theoretical contribution rate

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

Transfer Value

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

Unit Trust

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

Valuation

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

Yield Curve

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

11. Appendices

a. Pensions Administration Strategy

London Borough of Brent

Pension Administration Strategy (PAS)

December 2018

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London Borough of Brent Pension Administration Strategy (PAS)

1. Introduction

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

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

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

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

2. Pension Administration Strategy Policy Statement

2.1 Pensions Administration Strategy Statement

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

2.2 Legislative context

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

2.3 Aims

In making this strategy the Funds aims are:

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

2.4 Objectives

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

2.5 Documents which make up the strategy

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

Pensions Administration Strategy - Service Level Agreement

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

Pensions Administration Strategy - Employer guide

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

3. Service Level Agreement

Pensions Administration Strategy - Service level agreement

3.1 Employer Functions

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

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

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

3.2 Actuarial Functions

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

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

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

3.3 Adminstrating Authority Functions

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

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

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

3.4 Employer Responsibilities

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

An employer guide can be found at Appendix 3.

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

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

4. Staff Charging Schedule

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

VAT is charged on all applicable items.

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

5. Pensions Administration Strategy – Charging

5.1 Why we need to charge

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

5.2 Circumstances on when we would charge

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

5.3 Monitoring after a Levy has been made on an employer

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

6. Fees – Appendix 1

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

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

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

Appendix 2 - Regulation Extract

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

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

Pension administration strategy

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

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

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

(2) The matters are-

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

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

(i) the setting of performance targets,

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

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

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

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

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

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

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

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

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

(3) An administering authority must—

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

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

(5) An administering authority must publish—

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

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

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

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

Payment by Scheme employers to administering authorities

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

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

(2) But—

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

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

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

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

Additional costs arising from Scheme employer's level of performance

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

Background

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

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

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

Now it is agreed as follows:

1. Interpretation

1.1 The following expressions have the following meanings:

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

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

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

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

2. The Service Level Agreement

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

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

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

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

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

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

3. Other Charges

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

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

4. Notices

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

5. Waiver

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

6. More than one Counterpart

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

7. Laws

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

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

Appendix 3 – Employer Guide

Employer Guide

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

Clean and accurate data

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

This includes:

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

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

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

Brief Summaries of Actions needed

Joining the scheme

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

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

Change of hours

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

Sick Leave

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

Unauthorised Absence

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

Unpaid leave (Including maternity/paternity/adoption leave)

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

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

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

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

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

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

Leaving the scheme

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

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

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

Monthly remittance/end of year returns

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

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

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

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

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

Using online Forms

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

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

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

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

Online Forms

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

b. Employer Numbers Table

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

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

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

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

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

c. Funding Strategy Statement

London Borough of Brent Pension Fund

Funding Strategy Statement

March 2021

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1. Introduction

What is this document?

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

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

What is the London Borough of Brent Pension Fund?

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

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

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

Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

How does the Fund and this FSS affect me?

This depends who you are:

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

What does the FSS aim to do?

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

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

How do I find my way around this document?

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

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

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

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

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

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

2. Basic Funding issues

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

How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

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

What is each employer's contribution rate?

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

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

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

What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

How does the calculated contribution rate vary for different employers?

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

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

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

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

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

How is a funding level calculated?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When will the next actuarial valuation be?

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

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

3. Calculating contributions for individual Employers

General comments

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

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

These and associated issues are covered in this Section.

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

The effect of paying lower contributions

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

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

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

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

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

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

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

The different approaches used for different employers

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

HYMANS ROBERTSON LLP

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

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

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

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

Note (c) (Maximum time horizon)

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

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

Note (d) (Secondary rate)

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

For certain employers, at the Administering Authority's discretion but currently including all Academies, these payments may instead be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in [Appendix D](#).

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;

- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section [3.3](#) above;
- v. The new academy's actual contribution rate will be as per the Council rate, expressed purely as a percentage of pensionable pay. This applies whether or not the theoretical rate is above the Council rate. All other things being equal, this will mean some academies taking longer to pay off their deficit (where the theoretical rate is higher than the Council rate), or paying off the deficit more quickly (where the theoretical rate is below the Council rate).

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance or removal of the formal guarantee currently provided to academies by the DfE. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also [Note \(i\)](#) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

- i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit payable would be determined by the Administering Authority in accordance with the Regulations.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or

- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) made by the Admission Body and any employer providing a guarantee to the Admission Body.

As discussed in Section 0, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a [x%] loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in [Appendix E](#);
- (c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate

revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore,, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- LEA schools generally are also pooled with the Council. However there may be exceptions for specialist or independent schools.
- Academy schools may be pooled within their Multi Academy Trust (if this applies).
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Employers must make these additional contributions as a one off payment to the Fund in the financial year following the award of an early retirement. In exceptional circumstances, the Administering Authority may at its absolute discretion agree to spread the payment over a period not exceeding three years. If this is agreed, interest will be charged using factors provided by the actuary.

Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see [3.8](#) below).

The cumulative cost of ill health retirements between actuarial valuations will in effect be reflected in the employer's results at the next valuation.

Where a different approach is adopted (eg regularly monitoring ill health experience and requesting contributions between valuations), details will be included in each that employer's Admission Agreement.

External ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see [3.3](#), [Note \(j\)](#)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.
- Active members switching employment from one Fund employer to another will result in assets equal to the past service liabilities being reallocated between the employers, i.e. a "fully funded transfer". This means that the deficit at the point of transfer is retained by the ceding employer.

However, in the case of schools converting to academy status (i.e. the members switch from Council employment to the new Academy); the process is instead as per Note (g) to section 3.3 above. This is because the guidance from the Department for Education and the Department for Communities and Local Government anticipates that the past service deficit will be inherited by the new Academy.

4. Funding strategy and links to investment strategy

What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix [A1](#)).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

5. Statutory reporting and comparison to other LGPS Funds

Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

*“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in October 2019 for comment;
- b) Comments were requested to be received no later than 31st January 2020;
- c) There was an Employers Forum on 13th November 2019 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

A full copy included in the annual report and accounts of the Fund;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to employee representatives;

A summary issued to all Fund members;

Copies sent to investment managers and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the [Brent Council website](#).

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Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- prepare and maintain a FSS and a ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));

- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>
Effect of possible asset underperformance as a result of climate change	Covered in the Fund's Investment Strategy Statement

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions</p>

Risk	Summary of Control Mechanisms
	from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

e) C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>

Risk	Summary of Control Mechanisms
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>
<p>An employer ceasing to exist resulting in an exit credit being payable</p>	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

0. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
1. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),

2. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)

at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)

with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;

9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

In particular, with effect from 1 April 2019, the Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

f)

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

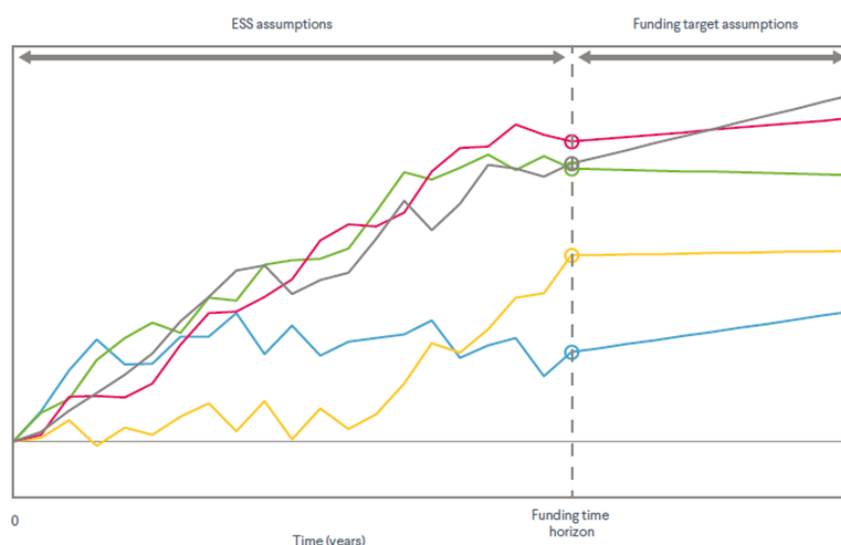
These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the “discount rate”)

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus 1.6% (appropriate to the basis used to allocate assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

g)

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of short term restrictions plus longer term increases linked to price inflation; the agreed blended rate is RPI less 0.7% p.a.. This is the same assumption used at the previous valuation.

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above) in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund’s “trustees”.
Admission Bodies	Employers where there is an Admission Agreement setting out the employer’s obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer’s time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be “fixed interest”, where the interest payments are level throughout the gilt’s term, or “index-linked” where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer’s covenant to be as strong as its guarantor’s.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually

	be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary contribution rates . See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

Valuation

A risk management exercise to review the Primary and Secondary contribution rates, and other statutory information for a Fund, and usually individual employers too.

d. Investment Strategy Statement

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the London Borough of Brent Pension Fund (“the Fund”), which is administered by Brent Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 (“the Regulations”). The Regulations require administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund; they also stipulate certain key issues which must be covered in the Statement.

The ISS has been prepared by the Pension Fund Sub Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee in June 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The previous review took place in 2020 and was approved by Committee in October 2020. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.

The Fund has chosen to opt up and be classified as a Professional client as defined in the Markets in Financial Instruments Directive.

In December 2019, in line with the Competition and Market Authority’s Order, the Fund agreed a set of objectives with Hymans Robertson LLP. These are reviewed on, at least, an annual basis.

The suitability of particular investments and types of investments

The Fund’s primary objective is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The funding position will be reviewed at each actuarial valuation, or more frequently as required.

The Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions are agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Fund has the following funding principles:

- Ensure that sufficient resources are available to meet all benefit as they fall due for payment;
- Recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- Enable employer contributions to be kept as stable as possible and at reasonable cost; and,
- Maximise the returns from investments within reasonable risk parameters.

The Committee has translated its objectives, taking into account the funding principles outlined above, into a suitable long-term strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The investment strategy takes due account of the maturity profile of the Fund (e.g. in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile;
- The level of expected risk;
- Outlook for asset returns.

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate significantly from the target allocation (accepting that, given the nature of some of the underlying investments, it may take the Fund time to move to the long-term target allocation). This is covered in more detail later in this Statement.

Providing a framework for all investment decision making to enable delivery of the above key objectives are the Fund's investment beliefs. The Fund's currently held investment beliefs which have been updated during the last review are set out in the Appendix.

Strategic allocation

The Fund's current assets include:

- Equities (UK and overseas)
- Diversified growth
- Government bonds
- Private equity
- Infrastructure
- Property
- Multi asset credit
- Private Debt

The Fund is invested in these asset classes either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks when it is deemed appropriate to do so.

The Regulations require the Fund to set out the maximum percentage relative to the total value of all investments that it will invest in particular investments or classes of investment.

The Fund's long-term strategic target investment allocation is set out in Table 1 below and includes the associated maximum percentage limits for each asset class associated with the long-term strategic

targets. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

The Regulations also require the Fund to have regards to the diversification of its investments. The overall strategic benchmark comprises a mix of different assets which provides considerable diversification for the Fund. Table 1 outlines both the long-term target and the interim stage, reflecting the time it takes to fund new mandates. The table also includes the maximum percentage (reflected by the upper limit set for rebalancing) of total Fund value that it will seek to have invested in these assets.

The strategic balance of investment takes account of the risk/return characteristics of each asset class e.g. the potential for higher long term returns from equity is balanced against an expectation of higher levels of short term volatility from this asset class; and by looking at the strategy as a whole and the interaction of the asset classes the Fund holds.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a strategy not previously known to the Committee is proposed, appropriate advice is sought and training is provided to help the Committee reach an informed decision.

Table 1: Fund allocation

Asset class	Interim Target allocation %	Long-Term Target allocation %	Upper limit for rebalancing %
UK equities	53	50	65
Overseas equities			
Private Equity	5	-	7.5
Total Growth	58	50	-
Diversified Growth Funds	20	5	25
Infrastructure	5	15	20
Property	-	10	15
Private Debt	-	5	10
Total Income	25	35	-
Multi-asset credit	5	5	10
Government bonds	10	10	15
Cash	2	-	5
Total Protection	17	15	-

Total	100	100	-
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The latest investment strategy review took place during February 2020. At this time the Committee agreed the following updates to the long-term strategic allocation:

- A 5% increase in the allocation to equities;
- A new 5% allocation to private debt;
- A decrease of 10% in the allocation to diversified growth funds (DGFs).

At the same time, long term allocations to property and infrastructure were maintained at the same level (10% and 15% respectively). The Committee is aware that private market investments take time to invest in, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain its exiting target allocation to DGFs which will be monitored and regularly assessed in anticipation of its longer-term reduction in size.

The Fund's actual investment arrangements will deviate from their target over time and therefore regular monitoring takes place to prevent too much deviation from the desired strategic allocation. The rebalancing arrangements in place set out in the final section of this report.

Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have removed the previous restrictions that applied to the 2009 Regulations. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

Table 2: Investment Restrictions

Type of investment	Maximum investment by the Fund % of assets
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	15%
5. Total investment in illiquid assets	30%

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The managers of the passive funds in which the Fund invests hold a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Risk Measurement and Management

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth-oriented assets) to help it achieve its funding objectives. It has a risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Environmental, social and governance ("ESG") – The risk that ESG related factors (including climate change) reduce the Fund's ability to generate the long-term returns and/or have implications on the Fund's liabilities.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a long-term strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Fund is a long-term investor and therefore, the Committee seeks to act as a responsible asset owner. Further details of the Fund's approach to managing ESG risks are set out later in this document.

The Committee seeks to mitigate systemic risk through holding a diversified portfolio, but appreciate it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. Also the risk that, due to the illiquid nature of the asset classes, the Fund cannot implement its agreed investment strategy on a timely basis.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has rebalancing arrangements to ensure, where possible, the Fund's "actual allocation" does not deviate substantially from its target.

The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term. The Fund also holds liquid diversifying assets over the period while the agreed exposure to less liquid alternatives are being built up.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. Other factors include, but are not limited to, the Committee believing that the manager is not capable of achieving these performance objectives in the future, and/or the manager's company status changes or there are significant staff changes to their investment team. The Fund also has regular correspondence with the London CIV regarding their managers and their approach to monitoring and assessing managers.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist. Further details of the Fund's approach to pooling and relationship with the London CIV is provided in the section below.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement (Appendix C).

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London Collective Investment Vehicle (CIV). The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to government.

Assets to be invested in the pool

The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 to government and is reviewed on a regular basis. The key criteria for assessment of Pool solutions will be as follows:

- 1 The pool enables access to an appropriate solution that is consistent with the beliefs, objectives and benchmark criteria set by the Fund and/or
- 2 There is a benefit to the Fund in investing in the solution offered by the pool.

At the time of preparing this statement the Fund has already invested the following assets via the London CIV (see table below).

Asset class	Manager
Diversified Growth Fund	Baillie Gifford
Diversified Growth Fund	Ruffer
Multi-asset Credit	CQS
Emerging Markets Equities	JP Morgan
Infrastructure	StepStone
Private Debt	TBC

In addition, the Fund has passive equity exposure to LGIM and BlackRock both of which have LGPS specific fee scales in place and have benefits of scale due to being pooled with the managers' other clients' assets. The LCIV consider these passive investments to fall under the pool umbrella.

In time, as set out in the indicative timetable for investing through the pool and in line with one of the Committee's stated beliefs, the intention is for all assets (subject to due diligence) to be transitioned into the London CIV. The exceptions to this are the Fund's passive assets and the Fund's existing investments in closed ended funds (which will run-off over time). The Fund reserves the right to invest its assets outside London CIV where suitable Pool investment solutions are not available.

Structure and governance of the London CIV

The July 2016 submission to government of the London CIV pool provided a statement addressing the structure and governance of the pool, the mechanisms by which the Fund can hold the pool to account and the services that will be shared or jointly procured. Over time the structure and governance of the Pool may evolve at which point the Fund will outline such details in the ISS. In the meantime, further information is provided on the London CIV's website (<https://londonciv.org.uk/>)

All participants of the CIV are both shareholders and investors in the London CIV company and the governance structure enables both formal and informal scrutiny.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. As a result, the Committee has committed to undertaking a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Once this audit has taken place the Committee intends to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c30% of the Fund's assets sit directly with the London CIV and this percentage is expected to grow over time. Once passive investments through LGIM and BlackRock are included, c90% of the Fund's assets can be considered to be pooled.

At this stage, the Committee has not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon exposure. Some flexibility may be appropriate to allow the Fund to adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment

Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the Lond.on CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- Ongoing engagement and collaborative investment practices will affect positive change through the powers of collective influence.
- We must act as responsible owners
- The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making

More detail on these beliefs can be found in the appendix.

The Committee takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee wishes to be an active shareholder and exercise its voting rights to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

In practice, the Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on at least an annual basis.

The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by LCIV's Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

Stewardship

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

The Committee is willing to consider potential investor collaboration opportunities if such opportunities offer the scope to improve engagement with companies and help increase the potential for long-term sustainable returns to be achieved. In the spirit of collective engagement, the Fund became a member of the Local Authority Pension Fund Forum (LAPFF) in 2019, through which it collaborates with other LGPS funds to magnify its voice and maximise the influence of investors as asset owner across a range of corporate governance issues. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

Appendix – Investment Beliefs

Clear and well defined objectives are essential to achieve future success - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

Long term investing provides opportunities for enhancing returns - As a long-term investor it is important that the Fund acts as an asset owner. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

Ongoing engagement is preferable to divestment – The Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

We must act as responsible owners – As asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2oC degrees.

The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making – Investment managers are responsible

for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

Equities are expected to generate superior long term returns - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However the Committee also recognise that equities can be highly volatile over the short-term.

Diversification reduces the overall volatility of the Fund's asset returns - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

Passive management has a role to play in the Fund's structure - The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

Active management can add value but is not guaranteed - the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

Private markets can offer opportunities - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.

Choice of benchmark index matters - the Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

Rebalancing policies are important – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

Fees and transaction costs matter - The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

Governance “budget” matters – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

The London CIV is the Fund’s preferred approach to implementation – the Committee recognises the potential benefits of LGPS pooling. Their preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV’s investment offering.

e. Communications Policy Statement

Introduction

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

The Communications Strategy is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulation 2013. The provision requires the Administering Authority to:

- (1) Prepare, Maintain and publish a written statement setting out its policy concerning communications with:
 - (A) Members
 - (B) Representatives of members
 - (C) Prospective members
 - (D) Scheme employers

- (2) In particular the statement must set out its policy on:
 - (A) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
 - (B) the format, frequency and method of distributing such information or publicity; and
 - (C) the promotion of the Scheme to prospective members and their employers

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication.

Pension Fund Administration

From October 2018, the London Borough of Brent delegated the pension administration service to Lancashire County Council (LCC) who have engaged the Local Pensions Partnership (LPP) to undertake their pensions portfolio. LPP was formed in 2016 through a collaboration between LCC and the London Pensions Fund Authority (LPFA) and provides pension services to the Local Government Pension Scheme, police, firefighters and other public sector funds.

Communication Responsibilities and Resources

The provision of timely, relevant information in a suitable format is key to ensuring efficient and effective communications. It is important that we consider the costs in terms of resource and staff time for all communications and work with the LPP to ensure there are appropriate systems and processes in place to facilitate these communications with our stakeholders.

Communications with Scheme Members

Our aims for communicating with our scheme members are:

- To better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team
- To encourage the use of the pension scheme website and registration to My Pension Online - Member Self Service.

The Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the Brent Pension Scheme website and Member Self Service
- Working with LPP to ensure communications are relevant and timely

Action	Audience	Media	End of Year Review 2020
Review and update the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web	
Promote the use of the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web	
Promote My Pension Online – Member Self Service	Active and Deferred	Web	
Explore the development of My Pensions Online – Member Self Service for pensioner members	Pensioner	Web	
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	

The pension scheme will provide the following communications as required, in addition to day to day individual communications with members.

Communication	Media	Frequency of Issue	Distribution	Audience
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Post to home address for targeted communication	All
Forms	Web or paper	As required	Available to download or post to home address	All
Annual Benefit Statements	Web or paper if opted out of online statements	Annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred
Road shows/ Workshops	Face to face	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1 st pension payment and every April and May. Payslip sent if a variation in £3 or more	Post to home address	Pensioner
Notice of Pensions Increase	Paper / Electronic	Annually in April	Post to home address for those who opted out of e-communication and upload to http://www.yourpension.org.uk/Brent/Home.aspx	Pensioner

Communication	Media	Frequency of Issue	Distribution	Audience
Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Newsletters - Newsletters are issued as required, usually when a significant change to the scheme occurs. Pensions Increase newsletters are sent annually to advise pensioner members of the increase to their pension.

Forms – Many of the required LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and expression of wish form.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits to their normal retirement date. The associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant. For deferred members these show the current value of the pension benefits, associated death benefits and details of any individuals the member has nominated to receive the lump sum death grant. These released at the end of August and are available on My Pension Online – Member Self Service. Members can opt out of the online service and elect to receive a paper copy sent to their home address.

Pensioner payslips – The payslips are sent when a member receives their first pension payment. They are posted to the pensioner's home address.

Internal Disputes Resolution Procedure – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPP pension administration team or the Brent Pensions Projects or Contracts Manager

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the Brent Pensions website.

Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team

The Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media	End of Year Review 2020
Ensure pension forms are included in starter packs	New employees	Electronic	
Review and update the pension website	All	Web	
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	

The pension scheme will work with employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Paper	On commencing employment	Via employers	New employees
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All

Communication	Media	Frequency of Issue	Distribution	Audience
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pensions Joiner Option Form – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website.

Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding their funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers

The Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of Your Fund, the LPP's online submission portal
- on-going promotion of the employer section of the Brent pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2020
Maximise the use of the newly developed ERM employer communication database on Altair	Employers	System	
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face	
Review and update the pension website	Employer	Web	
Work with LPP and Scheme employers to implement Your Fund.	Employer	Web	
Work with LPP and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	

The pension scheme will provide the following communication to employers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	electronic	Annually	By email	All
Induction meeting	Face to Face	On becoming a scheme employer	By email	New scheme employers
Pension Website https://www.yourpension.org.uk/Brent/Home.aspx	Web	Continually available. Updated as required	Advertised on all communications	All

Communication	Media	Frequency of Issue	Distribution	Audience
Tupe Manual and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	Via email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All

Explanation of communications

Contact sheet – A form distributed annually to all scheme employers to ensure contact details are kept up to date. Details are recorded on the ERM system on Altair

Induction Meeting – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities. An information leaflet is being updated to accompany the meeting and will be made available on the pension website once completed

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP

Tupe Manual and Admissions Policy – These documents are relevant to Letting Authorities that are looking to outsource a service to a third party supplier

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website

Pension Fund Valuation Reports – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three year period

Funding Strategy Statement – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

Communications with Representatives of Members

Pensions Committee

Our aims for communicating with Pensions Committee are:

- To provide information to enable the Committee to make decisions delegated under the Council's constitution
- To provide information to ensure the Committee are kept informed of pension related matters
- To ensure the Committee are aware of their responsibilities in relation to the Scheme

The Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	Audience	Media	End of Year Review 2020
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	
To arrange required training as and when required	Pensions Committee Members	Face to Face	

The pension scheme will provide the following communication to Pensions Committee Members as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk website	Pension Committee Members and Trade Union representatives

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Briefings	Face to face	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to face	When there is a new Pensions Committee and as and when required	By email	Pensions Committee Members and Trade Union representatives

Explanation of communications

Pensions Committee Reports – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the Brent.gov.uk website

Pension Committee Briefings – Pension Fund officers attend each Committee meeting and provide a verbal briefing on each Committee report

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Training is shared with the Local Pension Board members where applicable

Pensions Board

Our aims for communicating with the Local Pensions Board are:

- To provide information to enable the board to assist the Scheme Manager in executing their duties
- To provide information to ensure the board are kept informed of pension related matters
- To provide training with regards to investment and administration matters

The Key actions will be:

- To submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

Action	Audience	Media	End of Year Review 2020
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	
To arrange required training as and when required	Local Pension Board	Face to Face and online	

The pension scheme will provide the following communication to the Pension Board as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk and yourpension.org.uk websites	Local Pension Board
Local Pension Board Briefings	Face to face	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	Before each board meeting. Continual self- development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board

Explanation of communications

Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

Other Stakeholders

Pension Fund Manager (Finance)

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

Local Pensions Partnership


The scheme manager is responsible for monitoring the administration contract with the Local Pensions Partnership. Monthly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

Investment Fund Managers

Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

Trade Unions

Trade unions in the London Borough of Brent are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

	Pensions Fund Sub-Committee 21 February 2022 Pension Board 24 March 2022
	Report from the Director of Finance
Procurement of Actuarial, Custodian and Investment Management Services	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	n/a
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

- 1.1 The purpose of this report is to summarise the outcome of the Actuarial Services tender and seek authority to procure a contract for Custodian Services and Investment Management Services.

2.0 Recommendation(s)

That the Pension Fund Sub-Committee:

- 2.1 Notes the re-appointment of Hymans Robertson LLP as actuary for the Brent Pension Fund.
- 2.2 Approves the procurement of contracts for Custodian Services to the Brent Pension Fund and for Investment Management Services to the Brent Pension Fund.

- 2.3 Delegates authority to the Director of Finance to approve the pre-tender considerations set out in Standing Order 89, to evaluate bids and thereafter to award contracts to the preferred bidders in respect of the two services detailed in 2.2 above.

3.0 Detail

- 3.1 All Local Government Pension Funds are required to appoint a number of service providers in order for the Fund to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS) regulations.
- 3.2 **Actuarial services** include the provision of a number of key technical services for the fund including: the triennial valuation of the fund; the calculation of employer contribution rates; carrying out opening valuations for new scheme employers; closing valuations for exiting scheme employers; and ad-hoc advice and guidance.
- 3.3 Regulation 62 of the Local Government Pension Scheme Regulations 2013 requires a triennial valuation to be carried out by an actuary as at 31st March 2016 and every third year afterwards.
- 3.4 The Fund's **custodian** is responsible for the safekeeping of assets in a range of global markets. This includes services such as settlement of trades, tax reclaims, investment accounting, online reporting and performance monitoring.
- 3.5 In relation to **Investment Management Services**, all LGPS Funds are required to procure such services in line with Regulation 7 of the Management & Investment Regulations 2016 which states:
- “An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State.”
- 3.6 Investment Management Services include, but are not limited to, the production of quarterly monitoring performance reports, attendance at Pensions Sub-committee, performance monitoring of the Funds investment managers, selection of new managers, reviewing the Fund's investment strategy, advising on strategic asset allocation and preparation of key documents such as the Investment Strategy Statement.
- 3.7 Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. It is intended to conduct procurement exercises using one of the frameworks available for use by Local Government. For example, National LGPS Frameworks, managed by Norfolk County Council, is one such framework available for use by LGPS funds for Global Custody services and investment management services.

- 3.8 The benefits of using a Framework agreement are that the Council can reduce procurement time and costs because the framework has already been through a competitive tender and Public Contracts Regulations 2015 compliant procurement process. The Council is then able to call off the available frameworks for services without having to undertake full procurements, by either running mini-competitions for services or through direct awards of providers as appropriate. Officers therefore feel that the use of the framework presents best value for the fund.

Appointment of Fund Actuary

- 3.9 Officers undertook a procurement exercise using the National LGPS Framework for Actuarial, Benefits & Governance Consultancy Services between August and October 2021. There were 4 providers of Actuarial Services on this framework: Aon, Barnett Waddingham, Hymans Robertson and Mercer.
- 3.10 The procurement exercise took the form of a mini competition. Each actuary was required to submit their responses to the questions outlined in the invitation to further competition document. Each submission was assessed against the evaluation criteria set out below:

Criteria	Weighting
Quality	55%
Price	35%
Social Value	10%
Total	100%

- 3.11 Responses were received from two providers on the framework. All elements of the responses were evaluated independently by a panel of Pension Fund Officers. The panel, with support from a Procurement officer, then proceeded to moderate their scores. Each element of the scoring was then combined to determine an overall score for each provider.
- 3.12 Following the tender process, the Fund has now appointed Hymans Robertson as their Fund Actuary for a period of 3 years with the potential to extend for a further two 1 year periods. The new contract commenced on 18th October 2021.

Custodian services and Investment Management Services

- 3.13 The contract for the Pension Fund Custodian (currently with Northern Trust) expires on 14 June 2022.
- 3.14 The contract for the Pension Fund Investment Management Service (with Hymans Robertson) expires on the 21 October 2022.
- 3.15 A new procurement exercise now needs to be carried out to appoint a provider for both of the above services. As mentioned above, officers have the option to use a framework for the process or to conduct a full tender exercise. This

decision has not been finalised. Officers will consult with procurement officers on the best route however it is anticipated that use of a framework will be most advantageous for the Council.

- 3.16 Norfolk County Council has set up a National Framework for Global Custodian Services for the use of LGPS Funds. There are five firms signed up to this framework:

- Bank of New York Mellon
- Caceis Investor Services
- HSBC Bank plc
- Northern Trust
- State Street

- 3.17 National LGPS frameworks for Investment Management Services includes the following service providers:

- Aon Hewitt
- Deloitte
- Hymans Robertson LLP
- Isio
- Mercer Ltd
- Pricewaterhouse Coopers LLP
- Redington Ltd

- 3.18 After selecting the appropriate procurement route, officers will issue an Invitation to Tender (ITT) inviting service providers to bid for the contract. Additionally, Officers will consider the suitability of including members of the Committee in the process after consulting with the Council's procurement team.

- 3.19 All costs of these contracts will be met fully by the pension fund and there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as actuarial fees. Where bespoke advice is requested by fund employers, the relevant costs are charged back to the employer by the Fund.

4.0 Financial Implications

- 4.1 The estimated cost of the actuarial service contract will be approximately £115k per annum. This estimate is based current costs. The exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.
- 4.2 The estimated cost of the custodian contract will vary depending on the number of holdings and transactions undertaken over the course of the year and is estimated to be £60k per annum. The cost will be funded by the pension fund.
- 4.3 The estimated cost of the investment management services contract will be approximately £125k per annum. This estimate is based current costs. The

exact cost will depend on the level and volume of work likely to be requested by the Fund. The cost will be funded by the pension fund.

5.0 Legal Implications

- 5.1 The Pensions Fund Sub-Committee are responsible for the appointment of external service providers for the Brent Pension Fund in accordance with its Terms of Reference in Part 4 of the Constitution. The Pensions Fund Sub-Committee may delegate the procurement and award of contracts to the Director of Finance.
- 5.2 Depending on the duration of the custodian contract and the investment management services contract (together the “Contracts”), they may be subject in full or in part to the procurement requirements of the Public Procurement Regulations 2015 (the “PCR 2015”).
- 5.3 The value of the Contracts will determine which rules apply to the procurement under the Council’s Contract Standing Orders. The use of framework agreements is detailed in Section 3 as a likely option for the procurement of the Contracts. The PCR 2015 allow the use of framework agreements and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full procurement process. Call offs under the framework need to be carried out in accordance with the framework rules, to include using evaluation criteria specified in the framework and utilising the terms and conditions set out in the framework.
- 5.4 Contract Standing Order 86(e)(ii) states that no formal tendering procedures apply where contracts are called off under a framework agreement established by another contracting authority, where call off under the framework agreement is approved by the relevant Chief Officer to include confirmation there is adequate budgetary provision and provided that the Director of Legal, HR, Audit and Investigations has advised that participation in the framework is legally permissible.

6.0 Equality Implications

- 6.1 The proposals in this report have been subject to screening and Officers believe that there are no adverse equality implications.

7.0 Consultation with Ward Members and Stakeholders


- 7.1 Not applicable.

8.0 Human Resources

- 8.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

Report sign off:

Minesh Patel
Director of Finance

	Pensions Fund Sub-Committee 21 st February 2022 Pension Board 24 March 2022
	Report from the Director of Finance
LAPFF Engagement Report	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	1. LAPFF Engagement Report Q4 2021
Background Papers:	▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

- 1.1 This report is for noting and presents members with an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's commitment with LAPFF and its work demonstrates its commitment to Responsible Investment and engagement as a way to achieve its objectives.

2.0 Recommendation

- 2.1 The Committee is recommended to note this report.

3.0 Background of LAPFF

- 3.1 LAPFF (the Local Authority Pension Fund Forum) has 84 members, 7 pools and combined assets exceeding £300bn. With investments widespread in

many sectors, LAPFFs aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

- 3.2 Leading the way on issues such as campaigns against excessive executive pay, environmental and human rights campaign, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.
- 3.3 In October 2019, the Pension Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

4.0 Engagement Report

- 4.1 The LAPFF policy on confidentiality requires that all company correspondence (letters and meeting notes) remain confidential; however LAPFF produce a Quarterly Engagement report to give an overview of the work undertaken. A summary of key engagement work has been provided in this report. However the full report is attached in Appendix 1 and highlights the achievements during the most recent quarter.

Engagement Conducted by LAPFF

BHP

- 4.2 LAPFF have continued to engage with BHP, Vale and the affected communities in the hopes of speeding up reparations. The joint venture between BHP and Vale established to undertake compensation and reparations in relation to Mariana, and a general reference to Samarco operations re-starting. It was explained that the company's upstream tailings dams will not be de-characterised until 2035 at the earliest. The company officials stated the safety measures would be taken at these dams in the meantime.
- 4.3 LAPFF Recommends voting to oppose BHP's climate plan for its lack of alignment with the Paris Agreement. The LAPFF chair states climate change is not a negotiation. The number of plans that fail to meet the goals of the Paris Agreement is considered a concern.

Barratt Developments

- 4.4 The property sector is a major contributor to carbon emissions. The emissions come from when buildings are occupied and the sector is facing higher environmental standards from government. LAPFF have gained assurances about plans that Barrett development are making towards achieving net zero for homes and for their operations. Barrett developments are engaging with their supply chain to meet the government's future homes standard.

Pharmaceutical Company Engagements

- 4.5 LAPFF are engaging with pharmaceutical companies discuss whether Covid-19 has forced them to change their business models or business strategies. The companies which responded have focused on operational changes, such as how staff work together online and determining the right balance of working from home and working from offices. There might be further developments to consider in respect of business models and strategies before companies can decide whether they are well-placed with their existing structures or whether they need to make adjustments in the longer-term.

Brazilian community members

- 4.6 The LAPFF chair engaged with four members of the affected Mariana communities to discuss their current situation. Concerns have been raised over lack of progress made in respect of either housing or other reparations.

Arizona community members

- 4.7 The LAPFF chair engaged with the mining reform coalition of the Arizona, who has raised concerns about the cultural heritage impacts of the BHP-Rio into resolution copper project and also about the water impacts. There has been no real assessment of the projects impact on water resources by the companies.

5.0 Financial Implications

- 5.1 Not applicable.

6.0 Legal Implications

- 6.1 Not applicable.

7.0 Equality Implications

- 7.1 Not applicable.

8.0 Consultation with Ward Members and Stakeholders

- 8.1 Not applicable.

9.0 Human Resources

9.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance



Quarterly Engagement Report

October-December
2021

Local
Authority
Pension
Fund
Forum

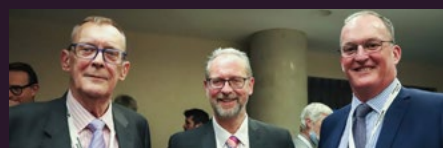
Rio Tinto, BHP, Anglo American, Roche, National Grid, LAPFF Conference

LAPFF CONFERENCE 2021



"We heard many fantastic presentations on a wide range of topics at the LAPFF Annual Conference this year. What struck me was the systemic nature of many of these problems. Systemic problems take a long time to fix, but LAPFF is in it for the long haul."

CLlr Doug McMurdo:



LAPFF held its 2021 conference in Bournemouth from 8–10 December. There was an opportunity to attend both in-person and online this year in light of Covid developments. Maintaining the in-person presence whilst allowing for a hybrid experience of speakers dialling in and attendees watching online allowed the whole event to run smoothly and provided a good experience.

The conference provided for a wide variety of interesting speakers and events. Across the three days, invited speakers presented on issues from COP26 to accountancy, a just transition to Covid. It was a privilege to introduce guest speakers from Brazil who described the harrowing impacts of the tailings dams collapses on their lives and communities. Broadcaster David Olusoga provided a gripping account of the untold stories of black British history.

HUMAN RIGHTS



Mining and Human Rights Report

Objective: Over the last couple of years, LAPFF has engaged intensively with mining companies on their human rights practices. The engagement has focused on the participation of affected stakeholders in mining company activities and decision-making. Based on these engagements with mining companies and affected stakeholders, LAPFF aimed to produce a report on its views regarding mining companies and human rights.

Achieved: LAPFF engaged business and human rights expert, Professor Robert McCorquodale, to lead on drafting the report. As sections of the report were drafted, they went to the LAPFF Executive and Business meetings for approval.

Although the reports were written

from an investor perspective, they have been presented through a human rights lens. As such, the first report covered the basics of the international human rights law framework. The second report followed with an explanation of how this framework applies to the mining sector, with examples of how human rights can be violated by mining companies and case studies based on human rights-related litigation in the mining sector. The third report presented LAPFF's views on engagements with top holdings – Anglo American, BHP, Glencore, Rio Tinto, and Vale – including how LAPFF understands these companies to be engaging with affected stakeholders.

In Progress: The last two reports will go to the first LAPFF Executive and

Business meetings in January 2022. The fourth report sets out examples of where LAPFF believes that the five companies mentioned have not met their human rights responsibilities. The fifth report contains a conclusion and recommendations for LAPFF members and other investors, for companies, and for public officials.

These five reports have also been consolidated into a single draft report that LAPFF has circulated for comment to the five companies addressed and to affected communities whose accounts have been included in the report. After comments have been received, they will be assessed and integrated as appropriate before the report is released publicly.

MINING



Vale's tailings dam in Brumadinho

MINING COMPANY ESG UPDATES

Objective: LAPFF engages with mining companies on all environmental, social, and governance (ESG) areas, not just human rights. Therefore, LAPFF participated in ESG updates from Vale, Rio Tinto and Anglo American, both to ensure it had updated information for the mining and human rights paper and to track updates on areas such as climate planning and health and safety.

Achieved: All companies covered climate and human rights as primary topics of discussion. Industry-wide, there continues to be work to align with the global standard on tailings dam safety and make mining safer and more sustainable generally. The companies also discussed their climate plans, particularly in anticipation of greater interest in the 'say on climate' votes, an initiative for which LAPFF has provided significant support.

LAPFF was particularly keen to hear Anglo American's discussion around the company's decision to divest from the Cerrejon joint venture. Both Anglo American and BHP have now indicated that they are withdrawing from this thermal coal project, leaving Glencore as the sole owner.

The withdrawal raises significant ques-

tions about how companies can best pull out of coal without leaving these assets in the hands of other companies or entities that might choose to continue operating the assets rather than winding them down. To this end, LAPFF also participated in a Climate Action 100+ (CA100+) collaborative call with Anglo American. The discussion covered the company's commitment to carbon neutrality in its operations and initiatives to reduce emissions through its value chain.

Vale continued to refer to cultural and operational changes stemming from its Brumadinho tailings dam collapse. However, the company representatives again failed to address the Mariana tailings dam collapse outside of Vale's relationship to the Renova Foundation, the joint venture between BHP and Vale established to undertake compensation and reparations in relation to Mariana, and a general reference to Samarco operations re-starting. It was explained that the company's upstream tailings dams will not be de-characterised until 2035 at the earliest, although company officials stressed that safety measures would be taken at these dams in the meantime.

In Progress: LAPFF is continuing to engage with mining companies on all aspects of their ESG work, in particular climate and human rights. There will

likely be focus on specific aspects of company operations, such as joint ventures, and on say on climate votes. Affected community engagements have also pointed to concerns about just transition considerations, so this area will also likely feature more prominently in LAPFF's work, especially because it was felt that the companies did not speak to this issue adequately.

BHP

Objective: Never having met BHP CEO, Mike Henry, LAPFF Chair Cllr Doug McMurdo wanted a meeting to discuss BHP's imminent unification process and the on-going human rights concerns related to the Samarco tailings dam collapse in Brazil and the joint venture Resolution Copper project with Rio Tinto in Arizona.

Achieved: LAPFF detected some progress in relation to BHP's approach to community engagement. Prior to BHP's 2021 AGM, LAPFF had not heard any company representatives refer to the need for free, prior and informed consent (FPIC) in relation to any of BHP's projects. However, BHP Chair, Ken Mackenzie, and Mr Henry have been clear since the October 2021 AGM that they expect FPIC to be met

COMPANY ENGAGEMENT

in relation to their Resolution Copper project before that project can proceed. LAPFF also shared its experience of engaging with Brazilian communities affected by the Samarco tailings dam collapse and found Mr Henry receptive to this feedback.

LAPFF also issued a voting alert opposing BHP's climate plan, which was put to a vote this year in line with the 'say on climate' initiative. While LAPFF was pleased to see BHP put its plan to a vote, LAPFF's view is that the plan had significant shortcomings. For example, there was a fear that the company could rely too heavily on unproven technologies such as carbon capture and storage (CCS) in the plan. The plan also appeared to contradict BHP's assertion that the company will benefit from a very quick transition to a green economy. The plan could have moved the company much further much more quickly but did not.

In Progress: LAPFF will continue to engage with BHP in relation to both Resolution Copper and Samarco. Cllr McMurdo also asked BHP if it would put annual say on climate resolutions to a vote. Although BHP has committed to say on climate votes every three years, LAPFF will continue to engage with BHP on its climate developments more frequently.

Renova Silent in Wake of Engagement Request

Objective: Communities in Brazil affected by the Mariana and Brumadinho tailings dam failures have long said that one of the big obstacles to obtaining appropriate reparations and compensation is the Renova Foundation. Renova is a foundation established by BHP, Vale, and Brazilian authorities solely to provide reparations and compensations to victims of the dam collapse at Mariana. Therefore, Cllr McMurdo has had a couple of meetings with Renova CEO, Andre de Freitas, to discuss this issue, and he sought another meeting.

Achieved: To date, Mr de Freitas has been very responsive and willing to discuss Renova's progress and challenges. However, there appear to have been only three houses built in the last year (up to 10 from seven houses) and Mr de Freitas has not yet responded to LAPFF's latest request to meet.

In Progress: Although many affected community members are keen for Renova to be disbanded and replaced with a more effective entity, LAPFF will continue to engage with the organisation to push for faster progress.

ArcelorMittal

Objective: To provide an updated assessment of ArcelorMittal's progress against the second iteration of the Climate Action 100+ benchmark and flag up areas that the company could improve in terms of metrics and disclosure.

Achieved: A formal letter was sent from LAPFF and other lead investors in the CA100+ initiative, setting out the approach to the 2022 and 2023 proxy season moving towards the 2023/24 reporting cycle deadline for target companies to have achieved alignment to the goals of the initiative. A reply from the chair, Lakshmi Mittal, confirmed that they are collaborating with the Science Based Target Initiative (SBTI) on a new Paris aligned methodology for the steel sector working towards a net-zero by 2050 target. The only indicator not met was a 2025 carbon emissions target, as much of the 2030 group target will be weighted towards the second half of the decade.

In Progress: A meeting in December sought for publication of a more granular report on lobbying with a trade association overview as well as information on the shareholder consultation for a transition plan to be put to the 2022 AGM.

BP

Objective: To discuss detailed aspects of the company's energy transition plan and if a 'Say on Climate' is planned for the 2022 AGM.

Achieved: Company representatives provided more background to the company's plan which includes a reduction of production of 40% over 10 years and a goal of 50GW of renewable generating capacity by 2050. BP already operates the UK's largest public network of EV charging points and plans to install more in existing petrol stations. The company has installed some of the first charging stations in India and is working with large fleets in China. On a 'say on climate'

resolution, this is being considered for 2022. It was noted they had achieved at least 'partial' scoring on all elements of the CA100+ benchmark.

In Progress: A further meeting with the LAPFF chair is planned for early 2022.

Standard Chartered

Objective: A meeting was held with Standard Chartered chair, José Viñals, to determine how the bank is progressing working with clients to reduce carbon emissions and align with the bank's net zero by 2050 policy. Member concerns had been relayed to the chair about the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows its activities to be aligned with an increase of 5-6°C in global warming.

Achieved: The company issued a road-map for its progress to net zero in October which included 2030 targets to reduce financed emissions for thermal coal mining and oil and gas power, as well as plans to mobilise US\$300 billion in green and transition finance by 2030. There was further engagement in November, which confirmed an absolute target for coal, and that no investments would support any project expanding capacity.

In Progress: We have remained in touch with NGO contacts who have considered filing a resolution to the 2022 AGM asking for commitments not yet evident in the company's current transition plans. The company confirmed it will put a Say on Climate/Transition plan to the vote at the 2022 AGM.

Lyondell Basell

Objective: As part of collaborative engagement with CA100+ investors, a meeting was held with company representatives to discuss analysis of progress against the second iteration of the CA100+ benchmark. The aim was to identify if any short-term actions were possible to improve the score and what further commitments could be provided.

Achieved: company representatives confirmed that any further updates would not be until the publication of the sustainability report in April 2022. In

COMPANY ENGAGEMENT

the first iteration of the benchmark, six indicators were not met and four were only 'partially' met. Encouragement was given for more disclosure in relation to lobbying activities.

In Progress: Topics of Paris Aligned accounting and audit disclosure and a related 'underpin' for remuneration were raised, with further discussions in 2022 proposed.

National Grid

Objective: Correspondence was sent on behalf of the CA100+ initiative with an updated assessment of progress against the second CA100+ benchmark. The letter identified short-term priority actions to improve the benchmark score and a commitment for fully aligned disclosure with the benchmark by the end of 2023.

Achieved: The company gave further detail of net zero alignment with International Energy Agency's (IEA) 2035 date for all relevant electricity emissions, noting the assumption of a zero-carbon power grid by 2035.

In Progress: A meeting in December covered disclosure on lobbying activities and further discussion on Paris Aligned accounting and audit disclosure.

Barratt Developments

Objective: The property sector is a major contributor to carbon emissions. A large chunk of these emissions come from buildings when in use but building materials and the building process itself generate greenhouse gas. As a result, the sector is facing higher environmental standards from government. It also means that housebuilding is a sector which LAPFF wants to continue to engage, especially the largest housebuilders such as Barratt Developments.

Achieved: Cllr Doug McMurdo secured a meeting with the chair of Barratt Developments. LAPFF gained assurances about plans Barratts are making towards achieving net zero for homes and for their operations. The engagement discussed how they were going to meet the government's future homes standard and work being undertaken with their supply chain. The discussion also covered



achieving the transition to net zero in a just way as well as the company's exposure to concerns around leasehold contracts.

In Progress: LAPFF will continue to engage with Barratts and other housebuilders to ensure targets they have set are being met.

Pharmaceutical Company Engagements

Objective: LAPFF wrote to five pharmaceutical companies for engagement meetings to discuss whether Covid has forced them to change their business models or business strategies. While the companies were generally receptive, only Roche came back to offer a meeting.

Achieved: In addition to meeting Roche, LAPFF was able to meet with Johnson & Johnson through a collaborative investor discussion. It is clear that the companies have treated Covid as a test of their existing business models and strategies. At this point, there appear to have been more operational changes, such as how staff work together online and determining the right balance of working from home and working from offices, than there have been business model or strategy changes. There might be further developments to consider in respect of business model and strategy before companies can decide whether they are well-placed with their existing structures or whether they need to make adjustments in the longer-term.

In Progress: LAPFF will write again in the new year to the companies that have not yet granted meetings. Timing is critical

as all of the companies are contributing in one way or another to the pandemic response, so company representatives might be more or less available depending on when Covid waves hit and when certain drugs are released in response.

Chipotle

Objective: LAPFF has been in dialogue with Chipotle since 2019 regarding the company's approach to water stewardship and managing the water stress within its value chain. When the dialogue was first initiated the company was committed to the shared objective of mitigating water related risks and committed to measuring water usage as well as any water sources significantly affected by water withdrawal moving forwards. As of 2021, Chipotle is yet to conduct a water risk assessment for its full value chain.

Achieved: In response to the lack of progress, LAPFF worked with the Greater Manchester Pension Fund to file a resolution to request that Chipotle provide an assessment to identify, in light of the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk and prepare for water supply uncertainties associated with climate change.

In Progress: LAPFF maintains dialogue with Chipotle and on this issue and will continue to work constructively with the company to ensure it is taking the necessary steps to manage water risk effectively.

COMPANY ENGAGEMENT

COLLABORATIVE ENGAGEMENTS COLLABORATIVE INVESTOR MEETINGS

Say on Climate

In October, the LAPFF chair, together with TCI Fund Management and Sarasin and Partners, wrote to the FTSE All-share to ask that boards set out their strategy to manage the transition to a net zero emissions business and to provide annual provision for shareholders to vote on such plans. The letter was not sent to investment trusts and those companies that had already made a commitment to an annual vote for shareholders.

As at end December, 64 responses had been received, from brief acknowledgements of receipt, to lengthy iterations of strategies for transition. A good number of companies noted it would be subject to discussion by the board, and other companies in engagement meetings have noted they will be reviewing the proposition.

The Asia Collaborative Engagement Platform for Energy Transition

Collaborative engagement, working with Asia Research and Engagement (ARE) and the Asia Transition Platform, has continued with some of Asia's largest listed financial institutions and buyers and producers of fossil fuels. During the quarter, LAPFF executive members Cllr Caron and Sian Kunert engaged with Sumitomo Mitsui Financial Group (SMFG) and Mizuho respectively. At Mizuho, bank representatives were asked for more details on sustainability experience and expertise of board members, as well as an insight into a time-line for the phase out of coal power financing. At SMFG, discussions also covered mechanisms to ensure sustainability experience on the Board as well as target setting and referencing the International Energy Agency Net Zero scenario.

Collaborative letters on Paris-aligned accounts

Following-up on correspondence with companies in November 2020, LAPFF has joined in further communications with

companies, led by Sarasin & Partners and in conjunction with other investors to share feedback on climate-related financial disclosures in the most recent set of company financial accounts. Correspondence aimed to encourage the companies to address outstanding concerns in audited accounts issued in 2022. Copies were also provided to the lead audit partner to emphasise the expectation that they alert shareholders where the accounts are not consistent with a 1.5°C outcome.

Powering Past Coal Alliance

As a partner to the Powering Past Coal Alliance, LAPFF supported a statement made on 4 November, which was the COP26 'Energy Day'. This statement, signed by countries, regions, corporates and investors supported the shared vision of accelerating a transition away from unabated coal power generation. It recognised the imperative to urgently scale-up the deployment of clean power to accelerate the energy transition as well as promoting the idea that this transition should be 'just and inclusive'.

Major investors demand ambitious methane regulations in the U.S.

Through its membership of CERES, LAPFF joined a group of international investors calling for action to cut methane emissions in the US. Methane is a potent greenhouse gas, twenty five times more powerful than carbon dioxide in its heating impact. More than half of global methane emissions stem from human activities in three sectors: fossil fuels (35 per cent of human-caused emissions) waste (20 per cent) and agriculture (40 per cent).

The Institutional Investors Group on Climate Change (IIGCC)

LAPFF continues to participate in regular calls with IIGCC and its investor members, receiving and providing updates on EU constituents of the CA100+ initiative. Results of the CA100+ benchmarking process are being discussed with companies with the review period culminating at the end of December. Sector meetings are helpful in providing

peer best practice examples as 'pointers' for other companies in the sector.

Investor Alliance on Human Rights

The Investor Alliance on Human Rights (IAHR) circulated an investor letter calling for the UK and the EU to implement mandatory human rights and environmental due diligence (mHREDD). It followed with another letter asking that stakeholder engagement be placed at the heart of this legislation. LAPFF signed onto both letters.

Conflict Minerals Investor Letter

Stewart Investors initiated a collaborative investor letter on conflict minerals in semi-conductor supply chains requesting that a number of companies improve labour and environmental standards through their supply chain practices. A total of 160 investors with collective assets under management of US\$6.59 trillion signed onto the letter. The letter went to 29 companies in the semi-conductor supply chain, and investors are waiting for a more complete set of responses before deciding if and how to take the engagement forward.

Investors for Opioid and Pharmaceutical Accountability (IOPA)

LAPFF has continued to support IOPA, which continually engages with US pharmaceutical companies and retail pharmacies, encouraging better levels of corporate governance. IOPA has been looking at its potential campaigns for 2022 and LAPFF will aim to engage and support where it can.

POLICY ENGAGEMENT

APPG Just Transition Inquiry

The LAPFF-supported All-Party Parliamentary Group (APPG) for local authority pension funds' report into a just transition was successfully launched this quarter. The APPG had undertaken an inquiry during 2021 examining the role investors can play, with the support of government, in ensuring the transition to net zero considers the social implications

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for employees, consumers, communities and supply chains. The APPG, chaired by Clive Betts MP, heard evidence from LAPFF members, investors, companies, trade unions and from the Climate Change Committee.

The inquiry found that just transition presented investors with financial risks. The consensus view from the inquiry was that if the transition to net zero is seen as unfair and unjust there would be public resistance and a lack of co-operation. As such, failing to consider the uneven impact of climate action on people and places risks support for decarbonising the economy. That in turn would create economy wide and company specific risks for investors.

The final report covered actions investors can take individually and collectively, including having a commitment on the issue in policy documents, understanding the risks and opportunities through quantitative metrics and qualitative evidence from affected stakeholders, importance of setting expectations and engaging companies on them, how capital allocation can help mitigate the risks and maximise the opportunities, and how funds can report impact. The report also set out what governments could do to support investors, such as having a clear and comprehensive just transition commitment, requiring greater company disclosure, identifying and supporting investment opportunities, and establishing a just transition commission.

The launch of the report included

presentations from the pensions minister, Guy Opperman MP, Rachel McEwen from SSE and LAPFF chair, Cllr Doug McMurdo. The report was well received gaining media coverage and with SSE publicly supporting the report. A copy of the report can be found on the LAPFF website.

City of London's Taskforce on Socio Economic Diversity

LAPFF Vice Chair, John Gray, was appointed to the Taskforce's Advisory Board this year and in this quarter, attended an in person event to discuss a number of issues that both the advisory board and working groups are looking to overcome. Questions of whether mandatory reporting by government or regulators were asked, and what role sector bodies can play. The role of membership bodies seeking to progress change in this area were discussed as well as what members of the taskforce believed would convince senior leadership to improve socio-economic diversity. LAPFF's work on diversity will continue in 2022 and will incorporate aspects of socio-economic diversity alongside other aspects.

COLLABORATIVE COMMUNITY MEETINGS

Brazilian community members

It has now been over six years since the Samarco tailings dam collapse in

Mariana, Brazil. LAPFF issued a press release on 5 November to remember the anniversary of the tragedy. As the anniversary fell during COP 26, the press release focused on the need for a just transition to a zero carbon economy. The press release followed a webinar with a representative of the affected communities and a meeting with the Brazilian prosecutor working on this case.

Subsequently, Cllr McMurdo met with four members of the affected Mariana communities to discuss their current situation. Unfortunately, little progress has been made in respect of either housing or other reparations. The community members continued to express despair about their respective situations and the slow progress being made by the Renova Foundation.

One representative of the Mariana communities and one representative from Brumadinho also presented at the LAPFF Conference. It was notable that both representatives were clear about not being anti-mining; the communities just want mining to be sustainable and respectful of their human rights. The need for a just transition by the mining industry was also raised during this conference session.

Arizona community members

Cllr McMurdo also met with Roger Featherstone (pictured below) of the Arizona Mining Reform Coalition. Roger has met consistently with LAPFF over the



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last few years and has raised concerns not only about the cultural heritage impacts of the BHP-Rio Tinto Resolution Copper project but also about the water impacts. LAPFF heard again that there has been no real assessment of the projects impact on water resources by the companies, but the impact could be huge. Roger also raised the question of whether a new mine is needed to access the copper reserves in the area. He noted that BHP has shut down a number of mines in the area before the reserves had been depleted, and in particular the San Manuel mine.



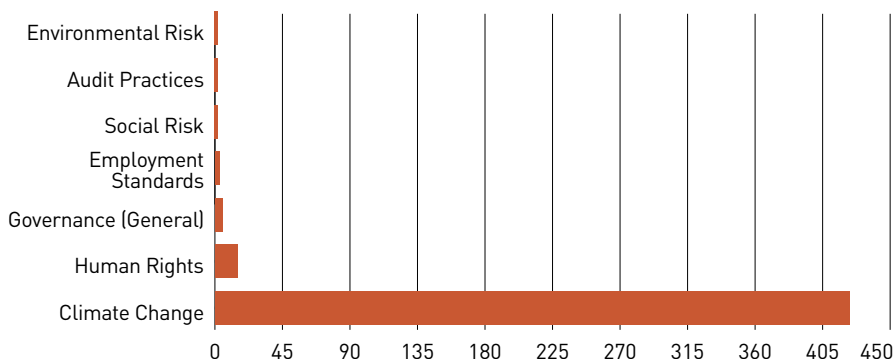
Resolution Copper: Water and Financial Materiality

On the back of the conversation with Roger Featherstone, LAPFF held a webinar with Roger and Henry C Munoz, a retired BHP miner in the area. Both Roger and Henry spoke about the anticipated impacts of Resolution Copper on the water and ecosystem of the surrounding areas. This webinar is available for viewing by LAPFF members on the member section of the LAPFF website.

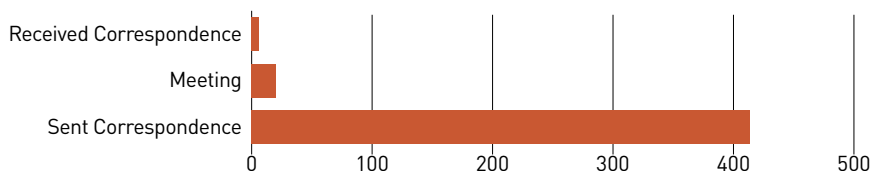
ENGAGEMENT DATA

During the quarter, there was correspondence with the FTSE all-share (excluding investment trusts) pressing for an annual 'Say on Climate' vote

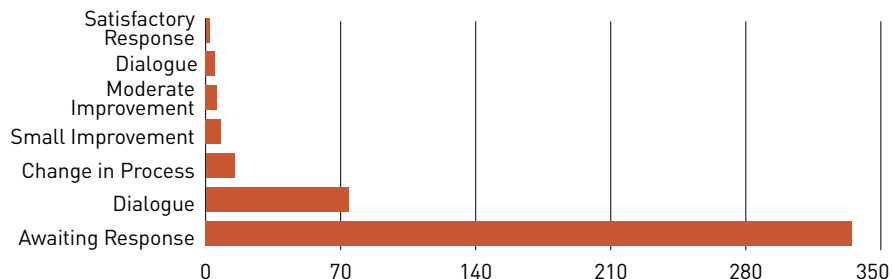
ENGAGEMENT TOPICS



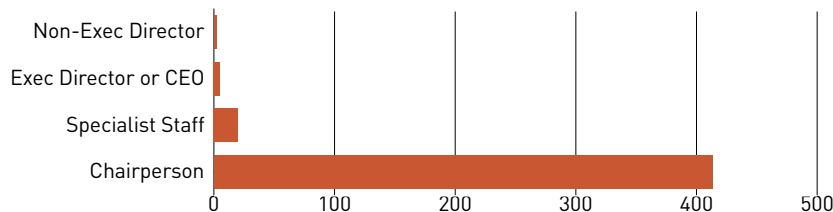
ACTIVITY



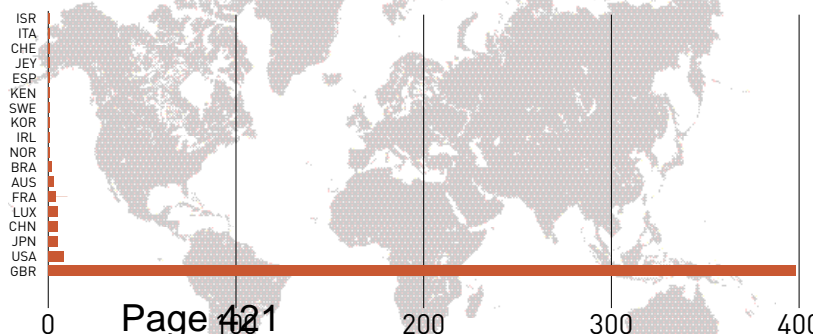
MEETING ENGAGEMENT OUTCOMES



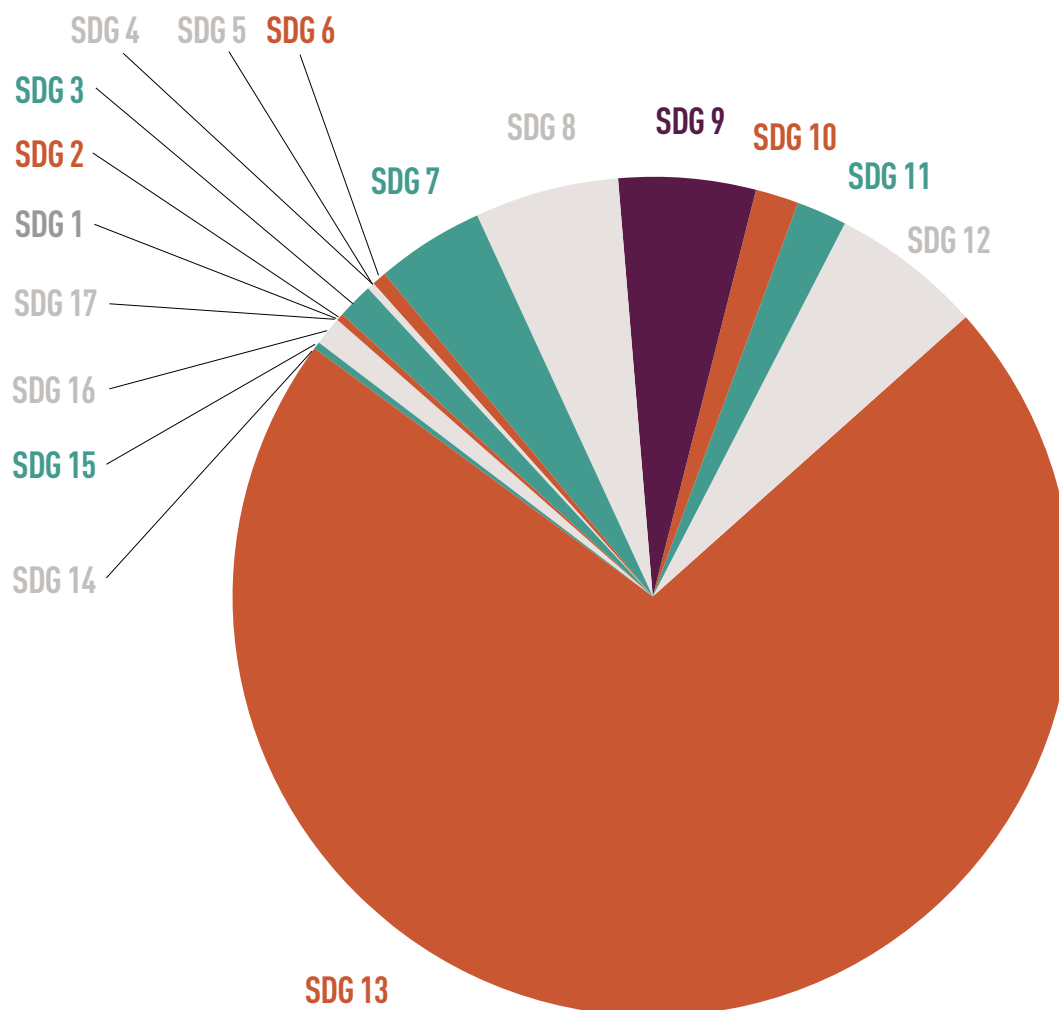
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	9
SDG 4: Quality Education	2
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	26
SDG 8: Decent Work and Economic Growth	33
SDG 9: Industry, Innovation, and Infrastructure	31
SDG 10: Reduced Inequalities	10
SDG 11: Sustainable Cities and Communities	12
SDG 12: Responsible Production and Consumption	34
SDG 13: Climate Action	425
SDG 14: Life Below Water	0
SDG 15: Life on Land	2
SDG 16: Peace, Justice, and Strong Institutions	6
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

MEDIA COVERAGE

CLIMATE

European pension players turn to Asia to drive climate 'breakthroughs'

<https://www.ipe.com/news/european-pension-players-turn-to-asia-to-drive-climate-breakthroughs/10055439.article>

Allow a vote on your climate plan, local govt pensions tell UK companies

<https://www.reuters.com/business/environment/allow-vote-your-climate-plan-local-govt-pensions-tell-uk-companies-2021-10-07/>

<https://timesofindia.indiatimes.com/world/uk/allow-a-vote-on-your-climate-plan-local-govt-pensions-tell-uk-companies/articleshow/86838700.cms>

<https://www.todayonline.com/world/allow-vote-your-climate-plan-local-govt-pensions-tell-uk-companies>

London CIV launches passive equity Paris-aligned fund

<https://www.pensions-expert.com/Investment/London-CIV-launches-passive-equity-Paris-aligned-fund>

<https://www.room151.co.uk/blogs/lgps-cop26-the-expected-the-needed-and-the-opportunities/>

BHP VOTE

BHP faces knife-edge vote on climate change plan

<https://www.ft.com/content/c7c1c225-9178-4fd5-8db1-4a86450d8f3d>

Mood lukewarm on BHP climate change plan ahead of AGM

<https://www.nasdaq.com/articles/mood-lukewarm-on-bhp-climate-change-plan-ahead-of-agm-2021-10-14>

BHP's London investors endorse climate change plan

<https://www.reuters.com/business/environment/mood-lukewarm-bhp-climate-change-plan-ahead-agm-2021-10-14/>

BHP gets Australian shareholder support for climate plan

<https://www.reuters.com/article/bhp-group-au-agm-idCNL1N2S20EQ>

JUST TRANSITION

MPs urge pension schemes to cushion economic effects of UK's net zero plan

<https://www.theguardian.com/environment/2021/oct/20/mps-urge-pension-schemes-cushion-economic-effects-uk-net-zero-plan>

LGPS must consider net-zero impact to avoid social downturn, MPs say

<https://www.pensions-expert.com/Investment/LGPS-must-consider-net-zero-impact-to-avoid-social-downturn-MPs-say?ct=true>

ISRAEL-PALESTINE

LGPS urged to divest from 'Israeli settlement economy'

<https://www.pensions-expert.com/DB-Derisking/LGPS-urged-to-divest-from-Israeli-settlement-economy>

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Bromley Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund

East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund

Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund

Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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