



# **LONDON BOROUGH OF BRENT**

## **MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Monday 27 June 2022 at 6.00 pm**

PRESENT: Councillor Johnson (Chair), Councillor Mitchell (Vice-Chair) and Councillors Choudry, Hack and Miller

Also present: Councillors

Apologies for absence were received from: Councillors

### **1. Declarations of Interest**

The following interests were declared at the meeting:

- Councillor Mitchell declared a personal interest in Agenda Item 5 (Quarterly Monitoring Report Q1 2022) and Agenda Item 7 (Net Zero Roadmap) as a result of previous engagement with Divest Brent and in holding a professional consultancy role outside of the Council focussed on Net Zero Transformation.
- Councillor Miller declared a personal interest in Agenda Item 5 (Quarterly Monitoring Report Q1 2022) and Agenda Item 7 (Net Zero Roadmap) as a result of previous engagement with Divest Brent.
- Councillor Johnson declared a personal interest in respect of Agenda Item 5 (Quarterly Monitoring Report Q1 2022) & Agenda Item 6 (Pension Fund Business Plan) as an ex local government member of the Local Government Pension Scheme

### **2. Deputations (if any)**

None.

### **3. Minutes of the previous meeting**

**RESOLVED:** That the minutes of the previous meeting held on 21 February 2022 be approved as an accurate record of the meeting.

### **4. Matters arising**

None.

### **5. Quarterly Monitoring Report - Q1 2022**

Kameel Kapitan (Hymans Robertson LLP Investment Consultant) introduced a report which outlined the performance of Brent Pension Fund during Q1 2022.

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

- The Committee were provided with an initial outline of the monitoring process, which included a breakdown on Fund Performance versus the expected benchmark over the relevant quarter along with forecasts on a short, medium and long-term basis. Additionally, the processes of Hymans Robertson monitoring Manager performance within the Fund was explained to the Committee, as well as new Climate monitoring metrics.
- A high-level summary of the performance of the Fund was then presented to the Committee, with the key points highlighted below:
  - The Fund had posted negative returns over the quarter, ending the period with a valuation of £1,132.7m, down from £1,155.7m at the end of Q4 2021. This was due to a number of global factors, including the Covid-19 pandemic, increasing energy and gas prices and the ensuing inflation and increased interest rates;
  - The majority of assets classes struggled in Q1 2022 amidst the challenging environment. Index-tracking mandates with LGIM (global equities) and BlackRock (gilts) contributed heavily to the negative absolute return whilst the LCIV Baillie Gifford multi-asset fund, the LCIV emerging markets fund and the LCIV multi-asset credit (MAC) fund all drove relative underperformance versus the benchmark;
  - Marginally offsetting returns was the performance of UK equities (LGIM index-tracking fund) and the LCIV Ruffer multi-asset fund. Both delivered positive return with Ruffer in particular demonstrating the value of its more defensive approach to multi-asset investing.
- In Q2 2022 the Fund would seek to complete planned investment in the BlackRock Low Carbon equity fund whilst continuing to explore any attractive secondary market opportunities within the property space consistent with the decision taken at the October 2021 Committee meeting.
- Moving on to talk about asset allocations of the Fund, it was updated that the Fund was positioned well in terms of matching its interim and long-term benchmarks.

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

- Members were advised that total Fund return remained strong and positive on both an absolute and relative longer term basis, with Managers performing broadly as expected. The one Manager not performing as expected was the Capital Dynamics and Alinda Funds, though due to their small size this did not have a material impact on the Fund.
- It was noted that UK equity markets had outperformed global markets over the quarter with returns achieved by Ballie Gifford and Ruffer both remaining strong. It was noted, however, that the Ruffer Multi Asset Fund had adopted a more defensive position to deal with market volatility, resulting in a more positive return over the quarter. This was important for the Fund, to ensure diversification of assets.

- An overview was also provided on the 'Hymans rating' for Managers, which provided an evaluation of how different Managers were performing. In Q1, it was updated that there had been no significant changes in Manager performance with confirmation provided that where no rating had been applied, this was not due to performance issues but reflected the limited data available to provide a meaningful rating at this stage.

Members were then provided with a summary of the climate risk analysis and carbon intensity by Fund Managers. Key issues highlighted were as follows:

- The Committee were updated that the Fund was reporting in line with information produced by its Pool, the London CIV. Key metrics were currently focussed around weighted average carbon intensity and Fossil Fuel exposure with the information covered capturing approx. 80% of the Fund's assets, as at 31 March 22. Members were assured this provided an accurate and reliable level of data. In time, the Fund would seek to evolve its climate risk monitoring process by monitoring against further metrics.
- Despite only representing 15% of assets shown within the report, the LCIV Baillie Gifford multi-asset fund was responsible for 28% of the Funds total carbon intensity. It was noted that Baillie Gifford had provided a rationale to officers as to why this was the case, and many businesses they were investing in were committed to transitioning to a low carbon economy going forward.

The Chair thanked Hymans Robertson LLP for their presentation and members were then invited to ask questions, with the responses summarised below:

- It was agreed that further detail would be provided for future meetings on the key criteria applied in relation to the assessment of Manager performance and the ratings applied by Hymans Robertson in relation to their Responsible Investment (RI) rating.
- In terms of a commitment to renewable energy from Managers, it was agreed that more information would be shared at a future meeting.
- Further details were also requested on the breakdown of fees by each Manager and any benchmarking comparisons available. Whilst details of the fees charged were incorporated within the Statement of Accounts it was agreed that further detail could be provided for future meetings.
- In terms of any wider more general benchmarking in relation to performance of the Fund the Committee was advised that yearly benchmarking within the LGPS was undertaken, which included Brent. Once the information for the previous monitoring period was received, this would be presented to the Committee as part of the Funds Annual Report.

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

Kameel Kapitan (Hymans Robertson LLP Investment Consultant) introduced a report which outlined the performance of Brent Pension Fund during Q1 2022.

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

- The Committee were provided with an initial outline of the monitoring process, which included a breakdown on Fund Performance versus the expected benchmark over the relevant quarter along with forecasts on a short, medium and long-term basis. Additionally, the processes of Hymans Robertson monitoring Manager performance within the Fund was explained to the Committee, as well as new Climate monitoring metrics.
- A high-level summary of the performance of the Fund was then presented to the Committee, with the key points highlighted below:
  - The Fund had posted negative returns over the quarter, ending the period with a valuation of £1,132.7m, down from £1,155.7m at the end of Q4 2021. This was due to a number of global factors, including the Covid-19 pandemic, increasing energy and gas prices and the ensuing inflation and increased interest rates;
  - The majority of assets classes struggled in Q1 2022 amidst the challenging environment. Index-tracking mandates with LGIM (global equities) and BlackRock (gilts) contributed heavily to the negative absolute return whilst the LCIV Baillie Gifford multi-asset fund, the LCIV emerging markets fund and the LCIV multi-asset credit (MAC) fund all drove relative underperformance versus the benchmark;
  - Marginally offsetting returns was the performance of UK equities (LGIM index-tracking fund) and the LCIV Ruffer multi-asset fund. Both delivered positive return with Ruffer in particular demonstrating the value of its more defensive approach to multi-asset investing.
- In Q2 2022 the Fund would seek to complete planned investment in the BlackRock Low Carbon equity fund whilst continuing to explore any attractive secondary market opportunities within the property space consistent with the decision taken at the October 2021 Committee meeting.
- Moving on to talk about asset allocations of the Fund, it was updated that the Fund was positioned well in terms of matching its interim and long-term benchmarks.

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

- Members were advised that total Fund return remained strong and positive on both an absolute and relative longer term basis, with Managers performing broadly as expected. The one Manager not performing as expected was the Capital Dynamics and Alinda Funds, though due to their small size this did not have a material impact on the Fund.
- It was noted that UK equity markets had outperformed global markets over the quarter with returns achieved by Ballie Gifford and Ruffer both remaining strong. It was noted, however, that the Ruffer Multi Asset Fund had adopted a more defensive position to deal with market volatility, resulting in a more positive return over the quarter. This was important for the Fund, to ensure diversification of assets.
- An overview was also provided on the 'Hymans rating' for Managers, which provided an evaluation of how different Managers were performing. In Q1, it was updated that there had been no significant changes in Manager performance with confirmation provided that where no rating had been applied, this was not due to performance issues but reflected the limited data available to provide a meaningful rating at this stage.

Members were then provided with a summary of the climate risk analysis and carbon intensity by Fund Managers. Key issues highlighted were as follows:

- The Committee were updated that the Fund was reporting in line with information produced by its Pool, the London CIV. Key metrics were currently focussed around weighted average carbon intensity and Fossil Fuel exposure with the information covered capturing approx. 80% of the Fund's assets, as at 31 March 22. Members were assured this provided an accurate and reliable level of data. In time, the Fund would seek to evolve its climate risk monitoring process by monitoring against further metrics.
- Despite only representing 15% of assets shown within the report, the LCIV Baillie Gifford multi-asset fund was responsible for 28% of the Funds total carbon intensity. It was noted that Baillie Gifford had provided a rationale to officers as to why this was the case, and many businesses they were investing in were committed to transitioning to a low carbon economy going forward.

The Chair thanked Hymans Robertson LLP for their presentation and members were then invited to ask questions, with the responses summarised below:

- It was agreed that further detail would be provided for future meetings on the key criteria applied in relation to the assessment of Manager performance and the ratings applied by Hymans Robertson in relation to their Responsible Investment (RI) rating.
- In terms of a commitment to renewable energy from Managers, it was agreed that more information would be shared at a future meeting.
- Further details were also requested on the breakdown of fees by each Manager and any benchmarking comparisons available. Whilst details of the fees charged were incorporated within the Statement of Accounts it was agreed that further detail could be provided for future meetings.
- In terms of any wider more general benchmarking in relation to performance of the Fund the Committee was advised that yearly benchmarking within the LGPS was undertaken, which included Brent. Once the information for the previous monitoring period was received, this would be presented to the Committee as part of the Funds Annual Report.

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

## 6. Pension Fund Business Plan

Sawan Shah (Senior Finance Analyst) introduced the report, outlining the business plan for the Fund for the next 12-18 months prepared by the Fund's investment advisors, Hymans Robertson LLP. It was explained that the Fund's principle long-term objective was to provide retirement benefits to its members and the Fund invested its assets in order to meet this objective. The overarching investment strategy remained to establish a stable and affordable contribution rate alongside maximising return from investments at appropriate risk levels.

The key priorities within the Fund's Business Plan over the next 12-18 months were noted below:

- Strategy and Implementation
- Monitoring and Reporting
- Pooling – including progress and timetable
- Responsible Investment
- Governance
- Training
- Other – cross-practise carried out in financial quarters.

Kenneth Taylor (Hymans Robertson LLP Investment Consultant), then provided further detail on the Pension Fund Business Plan to the Committee, with the key issues noted below:

- It was updated that an actuarial valuation was being carried out this year, and when this was completed the investment strategy would be evaluated. This would involve analysis of how the Fund's investments were allocated. Once this had been completed, there would be a more detailed review of the current investment strategy including the equity allocations towards property and Carbon/ESG tilted Funds.
- The strategy review also sought to build the Fund's property allocation over the next period, which had already begun recently. Additionally, the London CIV was launching a UK Property Fund, specifically within the residential housing sector. This was an opportunity that was being explored, with a view to investment in the future.
- It was stressed that the Plan was a live document, and that progress reports would be provided to the Committee to analyse how the investments within the Fund were balanced.
- Responsible investment (RI) was highlighted as a key issue for the Fund going forward. It was expected that reporting would have to be in line with TCFD (Task Force on Climate-Related Financial Disclosures) regulations, and reporting the carbon metrics of the Fund's investments, in line with the London CIV approach.
- The Committee were updated on the Fund's Net-Zero target, and the prospective dates to reach this. The UK Government had set a target of becoming Net-Zero by 2050, whilst Brent Council had set a target of 2030. The Committee would be required to engage in further consideration and discussion regarding the Fund's Net-Zero date at a future meeting.

The Chair thanked Kenneth Taylor (Hymans Robertson LLP) for their presentation and members were then invited to ask questions, with the responses summarised below:

- It was confirmed that the Committee would have the opportunity to further consider and review the outcome of the Strategic Investment review to be completed once the actuarial valuation had been finalised with implementation to be undertaken on a transitional basis.
- In terms of future targets to be included as part of the Investment Strategy review, including those relating to the climate metrics and net zero, assurance was provided that these would be matters for review and consideration in

order for an informed choice to be made by the Committee prior to them being agreed, with the previous targets having been set in February 2020.

As no further issues were raised the Sub Committee again welcomed the update provided and **RESOLVED** to note and endorse the Business Plan.

## 7. Net Zero Transition Roadmap Update

Sawan Shah (Senior Finance Analyst) introduced the report, which presented an update on progress against the Fund's net zero transition roadmap. Members were updated that the Net Zero framework had been agreed by the previous Sub-Committee under the last Administration and subsequently the opportunity had been taken to present an update to the new Sub Committee membership.

Kenneth Taylor (Hymans Robertson LLP) then presented a more detailed overview, with Members noting the following key issues:

- The outline of the practical roadmap towards net zero which had been agreed by the Sub Committee in October 2021 and progress achieved to date with regard to Responsible Investment (RI) training; introduction of RI focussed investment beliefs and investment in a new low carbon mandate and infrastructure fund with a significant allocation to renewables along with the selection of climate related metrics, which tracked the Fund's progress against its reduction of emissions. This reporting was in line with London CIV metrics.
- The key strategic challenges facing the Fund in terms of decarbonisation and context in relation to current carbon emissions and the levers available to the Fund in terms of capital allocation supported by ongoing engagement.
- The Framework developed to support the Fund's climate ambitions, which included the development of carbon metrics to support to drive towards net zero; reviewing the Funds existing mandates within the context of the net zero target that would need to be agreed upon by the Sub Committee and the process of engagement with the Fund managers in order to challenge and encourage best practice taking account of the Fund beliefs and climate ambitions;
- As part of this process there would also be a need to review and update the Fund's Responsible Investment (RI) beliefs and climate metrics.

The Chair thanked Kenneth Taylor (Hymans Robertson LLP) for the presentation and members were then invited to ask questions, with the responses summarised below:

- It was asked what level of change the Fund would be able to affect in terms of engagement with LCIV and Fund Managers in relation to its climate ambitions. In response members were advised of the opportunities available, with Fund Managers required to take account of the views of their investors which as part of the LGPS pool formed a strong opinion. In addition the potential to engage with LCIV and managers on voting activity on climate related issues and to agree action on collaboration and public disclosure of activities to encourage change were also identified.
- Regarding the setting of the Fund's Net-Zero target date, members noted the options identified along with considerations to be taken into account and

lobbying being undertaken with LCIV in terms of any further reduction in their current target of 2040. Whilst recognising the challenges identified. Members remained keen to push for as early a target date as possible.

As no further issues were raised at this stage it was **RESOLVED** that the Pension Fund Sub-Committee note the update and ongoing work and progress being made on the Net Zero Transition Roadmap as detailed within Appendix 1 of the report.

## 8. **Pension Fund year end accounts 2021/22**

Rav Jassar (Deputy Director of Finance) introduced the report, which presented the draft Pension Fund Annual Accounts for the year ended 31 March 2022.

In presenting the Annual Accounts it was noted:

- That during 2021/22, the value of the Pension Fund's investments had increased to £1,128m (2020/21 £1,032m). This had been largely due to the performance of growth holdings (global, UK and private equities) over the 12 month period.
- Total contributions received from employers and employees had been £64m for the year, an increase on the previous year's £61m.
- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £47m, an increase on the previous year's £42m.
- As in 2020/21, the pension fund was in a positive cash-flow position as its contributions exceed its outgoings to members.

Members were advised that the formal approval of the accounts rested with the Council's Audit & Standards Committee as part of the Council's financial statements. The accounts had been presented to the Audit and Standards Advisory Committee on 7 June 2022, as attached in Appendix 2 to the report with the external audit to commence once the main council accounts had been published. As a result work would now commence to prepare the Pension Fund annual report for consideration by the Sub Committee.

As no further issues were raised, it was **RESOLVED** to note the contents of the report.

## 9. **2022 Triennial Valuation**

Sawan Shah (Senior Finance Analyst) introduced the report, updating the committee on the 2022 Pension Fund Valuation.

In presenting the report the Sub Committee noted:

- By law the Pension Fund was required to complete a valuation every three years. This encompassed the assets and liabilities of the Pension Fund, as well as those of individual employers, including Academy Schools, independent contractors and charities.
- The valuation also served to set employer contribution rates for the period beginning 1 April 2023, as well as providing a check on the Fund's solvency and whether the Fund was meeting its overall targets. The 2022 valuation



process had now commenced with the timetable for its completion by 31 March 2023 as detailed within section 3.6 of the report.

- The key financial and demographic assumptions on which the 2022 valuation process would be based, as detailed within section 3.7 of the report.
- Further updates would continue to be provided for the Sub Committee as the valuation process progressed including on the draft Funding Strategy Statement and employer contribution rate proposals.

Having considered the update provided it was **RESOLVED** that the Sub Committee note the report progress and indicative timetable for completion of the valuation process.

#### 10. **Minutes of Pension Board**

The Sub-Committee welcomed Mr David Ewart (Independent Chair - Pension Board) to the meeting to give an overview of the Board's last meeting. Members were updated that the Pension Board's role was to assist the Sub Committee in efficient management of the Fund and in monitoring service quality for scheme members. The Board's membership comprised of representation from both Scheme Members and Employers as well as Brent Council. In regards to the March meeting, the Sub Committee were updated on the Pensions Administration Service update which had been provided along with consideration of the Pension Fund Risk Register. In addition the Board had received and considered the reports presented to the previous Pension Fund Sub Committee which had all been welcomed and endorsed.

Mr Ewart was thanked for his explanation of the Pension Board's role, and with no further issues raised it was **RESOLVED** to note the minutes from the Pension Board and update provided at the meeting.

#### 11. **Any other urgent business**

None.

#### 12. **Exclusion of the Press and Public**

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

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

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

#### 13. **London CIV Update**

Rubia Jalil (Finance Analyst) introduced the report, updating the committee on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV). The update included (as detailed in Appendix 1) the data, performance of Funds that Brent had invested via London CIV, namely London CIV Diversified Growth Fund, London CIV Absolute Return Fund, Baillie Gifford and Ruffer Multi-Asset Fund. Also included (as detailed in Appendix 2 of the report) was the LCIV quarterly investment review 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.

As a final update members attention was drawn to the general updates provided by the London CIV 9as set out in Appendix 3) in relation to investment, fund launches and fund monitoring and operational controls.

Having considered the update provided, the Sub Committee **RESOLVED** to note the reports and updates provided by London CIV.

The meeting closed at Time Not Specified

S CHOUDHARY  
Chair