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Brent Pension Fund Sub-Committee

Monday 27 June 2022 at 6.00 pm

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

Please note this will be held as a physical meeting which all Committee members will be required to attend in person.

The meeting will be open for the press and public to attend or alternatively can be followed via the live webcast. The link to follow proceedings via the live webcast is available here

Membership:

Members	**Substitute Members**
Councillors:	Councillors
Johnson (Chair) Mitchell (Vice-Chair) Choudry Dar Hack Kansagra Miller	Dixon, Ethapemi, Mahmood and Shah Councillors Maurice and Patel

Non Voting Co-opted Members

Elizabeth Bankole	Brent Unison representative

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

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

Members' training session will take place at 5.00pm.

recycle for Brent

Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

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

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

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

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

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

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

****Personal Interests:**

The business relates to or affects:

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

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

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

or

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

- You yourself;

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

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

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

8	**Pension Fund year end accounts 2021/22**	77 - 132

This report presents the draft pension fund annual accounts for the year ended 31 March 2022.

9	**2022 Triennial Valuation**	133 - 136

The purpose of this report is to update the committee on the 2022 Pension Fund Valuation.

10	**Minutes of Pension Board**	137 - 144

To note the minutes of the Pension Board meeting held on 24 March 2022.

11 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.

12 Exclusion of the Press and Public

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

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

13	**London CIV Update**	145 - 284

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

Date of the next meeting: Wednesday 05 October 2022

Please remember to set your mobile phone to silent during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public. Alternatively it will be possible to follow proceedings via the live webcast HERE

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Brent

LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Monday 21 February 2022 at 6.00 pm

PRESENT: Councillor Aden (Vice Chair in Chair) and Councillors Daly, Donnelly Jackson & Kansagra.

Also Present (in remote attendance): David Ewart (Independent Chair – Pension Board), Councillor McLennan (Deputy Leader and Cabinet Member for Resources) and Elizabeth Bankole (Independent Co-Opted Member).

Apologies for absence were received from: Councillor Choudhary.

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

Councillor Donnelly-Jackson declared a personal interest in item 6 (Net Zero Transition Roadmap Update) having been involved in discussion with Brent Divest previously regarding this issue.

2. **Minutes of the previous meeting**

RESOLVED: That the minutes of the previous meeting held on 05 October 2021 be approved as an accurate record of the meeting.

3. **Matters arising**

None.

4. **Deputations**

None.

5. **London Borough of Brent Pension Fund- Q3 2021 Investment Monitoring Report**

Kenneth Taylor (Hymans Robertson LLP Investment Consultant) introduced a report which outlined the performance of Brent Pension Fund during Q3 2021.

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

- In addition to the usual figures which were presented to the Committee in the report, the report also contained information for the first time as part of the Funds evolving Responsible Investment agenda on climate metrics within its investment strategy. Noting the Funds commitment to disclosing and monitoring these metrics, members were advised this aspect of the report would continue to be developed over time, in order to indicate how well the Fund was performing in relation to Environmental, Social and Governance (ESG) issues.

- The Fund had added £80m to its portfolio over this period, representing a combined return against assets of 6% (ahead of the benchmark return of 5.1%).
- The main driver of returns were the Fund's growth holdings with LGIM's global equity mandate the primary contributor in monetary terms and the Global and Private Equity Funds also performing well. Within the Fund's Income holdings the Baillie Gifford multi-asset fund had also produced strong performance.
- The Fund had also now made its first investment in the BlackRock Low Carbon equity fund and the LCIV private debt fund. In addition, £15m had also been invested in the Fidelity UK Property fund consistent with the previous decision taken by the Committee with both investments to be gradually increased over the next few years.
- Emerging market equities were noted as delivering a lower rate of return, as well as the Capital Dynamics Infrastructure Fund and Alinda Infrastructure Fund, although it was noted these had not had a significant bearing on the Fund overall, totalling 0.5% of the Fund's assets.
- The Capital Dynamics Infrastructure Fund and Alinda Infrastructure Fund were identified as 'legacy' assets involving a longer term strategy to wind them down and eventually replace with other higher performing funds such as the London CIV and other renewable assets.
- Members were updated on the overall asset allocation with it noted that the Fund was broadly in line with its interim target allocations for growth and income assets, cash and underweight protection assets.

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 basis with longer term performance also ahead of performance.
- Emerging market equities had however delivered a negative return over the quarter, with both sector allocation and stock selection detracting from performance along with financial stocks driven by China and India's zero tolerance Covid-19 policies.

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

- As a starting point the Fund was reporting in line with information produced by its Pool, the London CIV. The Fund would, however, seek to evolve its climate risk monitoring process by monitoring against further metrics. Key metrics were currently focussed around weighted average carbon intensity and Fossil Fuel exposure with the information covered capturing approx. 88% of the Fund's assets, as at 31 December 21. Members were assured this provided an accurate and reliable level of data.
- Having noted the relative carbon intensity for each Fund as a % of assets members were advised that despite representing only 15% of Fund assets the Baillie Gifford Diversified Growth fund was responsible for 29% of the Fund's total

carbon intensity. Whilst the LGIM Global Equity Fund represented the highest % of carbon intensity (42%) it was also recognised that this represented 53% of the Fund's assets. Focussing on these areas, members were advised of the specific investment profile relating to the Diversified Growth Fund, which had impacted on their carbon intensity rating including investment in the German energy company RWE. It was noted that as part of the London CIV, progress would continue to be monitored in terms of the carbon intensity of that fund.

- In terms of fossil fuel exposure, it was updated that the Fund had a 6.2% exposure to fossil fuels, in comparison to the global average of 7.3%, meaning that the Brent Fund was lower than the global average, though the Fund was still looking to decrease this level further.

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

- Further clarification was sought on the Fund's position in relation to property investment, with members advised this had been undertaken in line with the decision made at the previous Sub Committee meeting to approve a strategic investment approach towards property.
- In response to further details being requested on the approach in terms of investment in the BlackRock UK Gilts fund, members were advised that gilt investment generally provided lower risk assets with BlackRock appointed to oversee the Fund's bond allocation. The Fund was a passively managed mandate. Over the latest monitoring period the Fund had returned 2.6% which had offset negative returns experienced in Q3.
- In response to a query regarding performance of the BlackRock World Low Carbon fund it was confirmed that the fund had returned a positive performance of 5.1% since inception in September 21, outperforming its benchmark for the period by 0.1%. It was noted that this investment would continue to be built up over time.
- In relation to the Net-Zero target commitments of companies which the Fund had invested in, members were advised of the measures available to engage with those companies in order to drive transition and ensure they were aligned with Brent's own targets moving forward linked with development and delivery of the Fund's own Net Zero Transition Roadmap.

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. **Net Zero Transition Roadmap Update**

Kameel Kapitan (Investment Consultant, Hymans Robertson LLP) introduced the report providing the Sub-Committee with an update on progress against the Fund's net zero transition roadmap, as detailed within the progress update included as Appendix 1 to the report.

In recognising the focus on Responsible Investment, in particular related to climate risk, the Fund had agreed to evolve its investment strategy in order to take account of the associated opportunities and risks with progress identified in relation to:

- Dedicated training sessions on Responsible Investment (RI) for officers and member;
- Introduction of RI focussed investment beliefs;
- Investment in a new low carbon mandate and a new infrastructure fund with a significant allocation to renewables; and
- An updated Investment Strategy Statement to reference carbon goals.

Reference was also made to the agreement made at the previous Sub Committee meeting in October 21 to develop a practical "roadmap" to net zero for the Fund based on the following key principles:

- A background to RI and key themes/principles that would 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.

The key issues noted within the progress update provided for the Sub Committee were therefore as follows:

- The progress achieved against the short term roadmap (12 -18 months) agreed at the previous Sub Committee.
- The key challenges facing the Fund as a result of the approach towards decarbonisation. These included the need to recognise the difficulties in decarbonising a portfolio invested globally across diverse sectors whilst also continuing to focus on the primary obligation to support the payment of benefits to members. In addition there would be a need to ensure a balanced approach in order to ensure the transition was fair and achieved in a timely manner, without damage to prosperity or standards of living across the world. The switch to a low carbon portfolio over the short term would also not necessarily support a global transition to net zero.
- The challenging nature involved in measuring climate risk effectively, particularly in private markets with a need identified to capture opportunities as well as risks and also recognise the constructive impact of engagement as opposed to just divestment as an approach given the more robust investment solutions now available.
- The strategic context in relation to the Fund's current carbon emissions and levers available in the form of capital allocation supported by ongoing engagement. In this strategic context members were advised that equities were currently the largest contributor to the Fund's carbon emissions with low carbon alternatives already identified as part of the growth assets review and the winding down of carbon intensive legacy investments and their replacement by more impact focussed funds offered through LCIV as a net zero partner of the Council. As a result work was ongoing to review the Fund's existing mandates within the context of the net zero strategy alongside the development of a series of short, medium and longer term targets for carbon emissions and programme of engagement with Fund Managers.

- The development of a three dimensional framework to support the Fund's climate ambitions, which alongside seeking to take advantage of relevant investment and engagement opportunities also included the establishment of a range of carbon metrics for monitoring and planning purposes. The Sub Committee were therefore being asked to consider adopting a proposed range of metrics based on those published by LCIV and linked to the requirements established by the Climate Task Force for Public Disclosure. Whilst recognising that the quality of underlying data to support these type of metrics was still evolving the Sub Committee was advised that the current asset coverage for the Fund was good with it possible to report on the metrics identified for 88% of assets. This would continue to be reviewed and refined as the range and quality of data developed with the need also highlighted to ensure the incorporation of a range of forward looking metrics as the roadmap and strategy was developed.
- Having noted the initial climate risk analysis provided for the Fund as part of the Investment Update report and challenges in terms of the current lack of widespread reporting of scope 3 emissions the report then moved on to present a range of options (for future consideration) in terms of the setting of an appropriate net zero target date for the Fund.

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

- Support was expressed for the recommended focus on not only the challenges and risks but also opportunities within the development of the roadmap and RI strategy.
- In seeking to clarify the risks in being able to meet the obligations of the Fund in terms of returns for members as part of any move towards net zero and decarbonisation of the Fund's investment portfolio, members advised they were keen to ensure these considerations were included as part of future quarterly performance updates alongside the carbon metrics reporting. Members were advised that this was being built into the actuarial assumptions with the Net Zero transition strategy planned to meet the Fund's obligations albeit in a more environmentally friendly way.
- Whilst recognising the challenges involved, members were keen to ensure as much focus as possible in engaging with Fund Managers and companies in order to obtain and push for the provision of data relating to scope 3 emissions. Although the scope and reliability of this type of data was currently limited the Sub Committee were advised it would not prevent further engagement to encourage its development and availability on a more widespread basis in view of the increased focussed around Responsible Investment related to climate risk.
- The suggested inclusion of planned obsolescence for products as an additional potential metric for consideration given the focus on how this policy was being operated by many large scale global companies, particularly across the tech sector.
- The need, as part of the overall approach and challenges identified in relation to the roadmap to recognise and consider the potential impact of the worldwide increase in price of fossil fuels. It was noted that the increase in prices around the world, as well as the ongoing impact of the conflict in Ukraine, showed the

importance of greener and renewable energy in mitigating against the reliance on individual countries and companies for energy.

- Members preference, whilst recognising the challenges identified, to secure as early a net zero transition date as possible. In terms of the options identified members were, at this stage keen to disregard 2050 as an option and to quantify the practical risks associated with 2030. Whilst advised that 2040 would present less significant challenges than other options identified it was noted that no final decision was being sought at this stage on the target date given the need for further work to review and quantify the impact on the Fund.

As no further issues were raised the Sub Committee again welcomed the update provided and **RESOLVED**

(1) To note the update on progress on the net zero road map as outlined in Appendix 1 of the report.

(2) To agree to the climate metrics set out in Appendix 1 of the report and to recommended expansion of further climate metrics to include forward looking metrics as part of the continued and ongoing development of the roadmap.

7. **Actuarial Assumptions (Summary)**

Sawan Shah (Senior Finance Analyst) introduced the report, which provided an update on the 2022 valuation process, in particular on the key financial and demographic assumptions that had driven the overall funding level and employer contribution rates.

In presenting the report the Sub Committee noted the inclusion of a more detail paper included for consideration as an exempt item. In providing an initial summary members noted:

- The planned formal valuation of the Fund to be carried out in 2022 as part of the required three year programme under the LGPS Regulations 2013.
- Prior to each valuation review, it was recommended best practice to review the actuarial assumptions to ensure they were relevant to the financial, demographic and regulatory environment.
- The key assumptions which it was proposed to use for the 2022 valuation, as summarised within Appendix 1 of the report which included – discount rate, future investment returns, CPI inflation, salary expectations, future improvement in longevity and other demographic assumptions.

Members were advised that further detail on the assumptions had been provided within the restricted Appendix 2 of the report, which would need to be considered within the closed part of the meeting. On this basis, as no further issues were raised at this stage of the meeting, it was **RESOLVED** to note and agree the key assumptions for the forthcoming 2022 valuation as summarised in Appendix 1 of the report.

8. **Pension Fund Annual Report 2020/21**

Rubia Jalil (Finance Analyst) introduced the report which set out the final version of the Pension Fund Annual Report for the year ended 31 March 2021, following the conclusion of the external audit.

In presenting the report the Sub Committee noted:

- That Grant Thornton had given an unqualified opinion on the Pension Fund accounts and annual report with Brent Pension Fund having been the first local authority pension fund audited by Grant Thornton to have their annual report review completed.

Members commended officers for their work in completing the accounts and annual report and as no further issues were raised, it was **RESOLVED** to note and approve the contents of the Brent Pension Fund Annual Report 2020/21.

9. **Procurement of Actuarial, Custodian and Investment Management Consultancy Services**

Sawan Shah (Senior Finance Analyst) introduced the report which summarised the outcome of the Actuarial Services tender and sought authority to procure a contract for Custodian Services and Investment Management Services.

In presenting the report the Sub Committee noted:

- The requirement on all Local Government Pension Funds to appoint service providers in order for the Fund to carry out the following technical services as an Administering Authority under the Local Government Pension Service (LGPS) regulations – Actuarial Services, Custodian Service & Investment Management Services.
- Following a procurement exercise undertaken using the National LGPS Framework for Actuarial Benefits & Governance Consultancy Services (as detailed in section 3 of the report) the Fund had appointed Hymans Robertson to continue as their Fund Actuary for a 3 year period commencing October 21.
- The procurement process outlined in respect of the contracts for Pension Fund Custodian & Investment Management Services, with the existing contracts due to expire in June and October 22 respectively and consultation underway in order to identify the most advantageous procurement approach.

Having considered the update provided it was **RESOLVED** that the Sub Committee

(1) Note the re-appointment of Hymans Robertson LLP as actuary for the Brent Pension Fund.

(2) Approves the procurement of contracts for Custodian Services to the Brent Pension Fund and for Investment Management Services to the Brent Pension Fund.

(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) above.

10. **LAPFF Engagement Report**

Ravinder Jassar (Deputy Director of Finance) introduced the report providing an up-date on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund.

In presenting the report, the Sub Committee were advised how the Fund's commitment with LAPFF and its work further demonstrated the commitment to Responsible Investment and engagement as a way to achieve its objective with the range of engagement activity having been detailed in the report.

Members welcomed the update provided and with no additional issues, raised it was **RESOLVED** to note the contents of the report.

11. **Minutes of Pension Board**

The Sub-Committee welcomed Mr David Ewart (Independent Chair - Pension Board) to the meeting (as an online participant) to give an overview of the Board's last meeting. The progress being made in relation to service provision was highlighted as part of the Pension Administration update with the Sub Committee also noting the appointment of a new employer (non-Brent) representative on the Board. Members were also advised of the support expressed by the Board in relation to the approach identified by the Sub Committee in relation to property investment options and the net zero transition roadmap, which had both been welcomed when presented to the Board. In concluding the Chair thanked all officers for their support and it was **RESOLVED** to note the minutes from the Pension Board and update provided at the meeting.

12. **Any other urgent Business**

None.

13. **Exclusion of 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.

14. **Actuarial Assumptions (Full Report)**

Sawan Shah (Senior Finance Analyst) introduced the report, which (following on from the consideration of the summary provided under Agenda Item 7 in the public session of the meeting) provided full detail (within Appendix 2 of the report) on the key financial and demographic assumptions identified as driving the overall funding level and employer contribution rates as part of the 2022 valuation process.

Having already noted the summary provided members were invited to identify any comments, with the following issues and responses highlighted:

- Clarification was provided on the way that the commitment towards the Fund's transition to net zero would be included as part of the overall investment strategy.
- Further details were also provided in relation to the assumption included on discount rates with members assured that the assumptions identified had been subject to detailed review by officers and Hymans Robertson LLP.

Having considered the detailed supporting advice in relation to the actuarial assumptions identified the Sub Committee **RESOLVED** to confirm its earlier decision to note and agree the key assumptions for the forthcoming 2022 valuation as summarised in Appendix 1 and detailed in full in Appendix 2 of the report.

15**.** **London CIV Investment Update**

Ravinder Jassar introduced the report, which provided the latest update on recent developments regarding the Brent Pension Fund Investments held within the London CIV (LCIV). The update included the LCIV Investment review for the period ending 31 December 21 (as detailed in 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 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

With no issues raised in relation to the update provided, the Sub Committee **RESOLVED** to note the report.

The meeting closed at 7.38 pm

COUNCILLOR ADEN
Vice-Chair in the Chair

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London Borough of Brent Pension Fund

Q1 2022 Investment Monitoring Report

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

HYMANS ROBERTSON

Agenda Item 5

Executive Summary

Q1 2022 proved a challenging quarter for markets, the Funds investments returning -2.7%, underperforming the Fund's benchmark by 0.5%. However, over the longer term, the assets continue to outperform strongly on both an absolute and a relative basis.

Market volatility weighed heavily on markets over the period as inflation took further hold, coronavirus lockdowns continued in China and Russia began its full scale invasion of Ukraine. Global equities as a whole fell 2.4% in Sterling terms. UK equities faired better, benefitting from the outperforming energy sector which constitutes a material part of the index. Emerging market equities again fell over the period, largely driven by weakening sentiment in respect of the Chinese market.

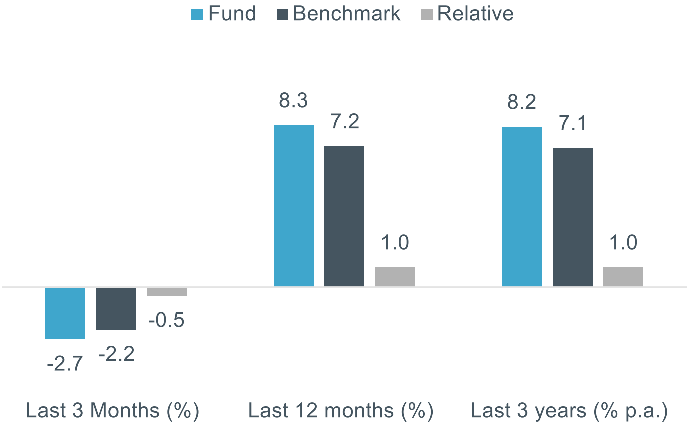
Within fixed income, rising interest rates provided upward pressure on yields and drove significant drawdowns in the value of gilts. Speculative grade credit markets also suffered amidst the uncertainty.

Looking to Q2, the Fund will seek to finalise the second tranche investment in the BlackRock Low Carbon Fund whilst continuing to explore secondary market opportunities within the property market.

Key points to note

- The Fund has 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.
- The majority of assets classes struggled in Q1 2022 amidst a 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 will 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.

Fund performance vs benchmark/target



High Level Asset Allocation

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

GrIP	Actual	Benchmark	Relative
Growth	58.8%	58.0%	0.8%
Income	28.3%	25.0%	3.3%
Protection	10.7%	15.0%	-4.3%
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 multi-asset funds.

HYMANS ROBERTSON

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

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

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

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

The second tranche of the investment into the BlackRock Low Carbon fund is due to take place in Q2 2022, taking the total proportion closer to its 3% benchmark allocation. This is due to be funded by divesting from the LGIM Global Equity Fund.

The LCIV infrastructure fund remains in its expected 3 year ramp up phase. We therefore expect the Fund commitment of £50m to continue to be drawn down over 2022/23.

The Fund's commitment to the LCIV private debt fund (made in March last year) began drawing down in Q3 2021 with a further capital call in Q1 2022.

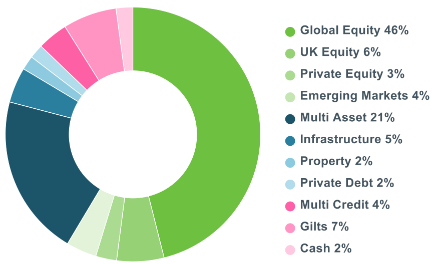
Asset Allocation

Manager	Valuation (£m) Q4 2021	Valuation (£m) Q1 2022	Actual Proportion	Benchmark	Relative
LGIM Global Equity	520.0	506.1	44.9%	40.0%	4.9%
LGIM UK Equity	67.4	67.8	6.0%	5.0%	1.0%
Capital Dynamics Private Equity	31.4	30.0	2.7%	5.0%	-2.3%
LCIV JP Morgan Emerging Markets	46.7	43.8	3.9%	5.0%	-1.1%
Blackrock Acs World Low Crbn	15.8	15.4	1.4%	3.0%	-1.6%
Total Growth	**681.2**	**663.1**	**58.8%**	**58.0%**	**0.8%**
LCIV Baillie Gifford Multi Asset	143.9	135.1	12.0%	7.5%	4.5%
LCIV Ruffer Multi Asset	93.2	97.4	8.6%	7.5%	1.1%
Alinda Infrastructure	24.0	23.4	2.1%	0.0%	2.1%
Capital Dynamics Infrastructure	6.0	6.2	0.5%	0.0%	0.5%
LCIV Infrastructure	19.5	21.4	1.9%	5.0%	-3.1%
Fidelity UK Real Estate	15.0	15.7	1.4%	5.0%	-3.6%
LCIV Private Debt Fund	15.9	20.3	1.8%	0.0%	1.8%
Total Income	**317.5**	**319.5**	**28.3%**	**25.0%**	3.3%
LCIV CQS MAC	44.6	43.8	3.9%	5.0%	-1.1%
BlackRock UK Gilts Over 15 yrs	87.9	77.1	6.8%	10.0%	-3.2%
Total Protection	**132.5**	**120.9**	**10.7%**	**15.0%**	**-4.3%**
Cash	19.1	24.1	2.1%	2.0%	0.1%
Total Scheme	**1150.4**	**1127.6**	**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.

Note: The Q4 2021 cash figure differs from that shown in our H2 2021 report. It has been revised based on updated information provided by the Administering Authority.

Asset class exposures



Source: Investment Managers

Total Fund return was negative during the period on both an absolute and relative basis. However, longer term performance remains comfortably ahead of target.

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

Over 12 months and 3 years, the returns achieved by Ballie Gifford and Ruffer remain strong and well ahead of benchmark returns of 2.4% and 2.6% respectively. Performance however was more varied over Q1 2022 with Ruffer's defensively positioned strategy navigating the tumultuous period better than Baillie Giffords more "risk-on" approach. This demonstrates the value from adopting a diversified approach to multi-asset investing.

In the wake off more hawkish monetary policy from central banks, gilt yields rose significantly over the the period, weighing on returns and leading to an decrease in the value of the BlackRock portfolio.

The LCIV MAC fund also suffered amidst rising interest rates and weakening sentiment returning -5.3% over the period.

Manager performance

	Last 3 Months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	-2.7	-2.6	**-0.0**	14.7	14.8	**-0.0**	15.4	15.4	**-0.0**
LGIM UK Equity	0.6	0.5	**0.1**	13.2	13.0	**0.1**	5.3	5.3	**0.0**
Capital Dynamics Private Equity	6.0	-2.1	**8.3**	30.0	16.8	**11.3**	10.8	13.6	**-2.5**
LCIV JP Morgan Emerging Markets	-6.1	-4.3	**-1.9**	-10.2	-7.1	**-3.3**	4.7	4.6	**0.1**
Blackrock Acs World Low Crbn	-2.5	-2.4	**-0.1**	-	-	**-**	-	-	**-**
Income									
LCIV Baillie Gifford Multi Asset	-6.1	0.7	**-6.7**	3.4	2.4	**1.0**	3.6	2.6	**1.0**
LCIV Ruffer Multi Asset	4.4	0.7	**3.7**	7.3	2.4	**4.7**	10.1	2.6	**7.3**
LCIV Private Debt Fund	0.0	1.5	**-1.5**	-	-	**-**	-	-	**-**
Alinda Infrastructure	-	-	**-**	15.1	9.1	**5.5**	5.9	5.5	**0.4**
Capital Dynamics Infrastructure	-	-	**-**	-29.8	9.1	**-35.6**	-17.7	5.5	**-22.0**
LCIV Infrastructure	-	-	**-**	6.4	9.1	**-2.5**	-	-	**-**
Fidelity UK Real Estate	4.9	5.6	**-0.6**	-	-	**-**	-	-	**-**
Protection									
LCIV CQS MAC	-5.3	0.6	**-5.9**	-1.3	2.2	**-3.4**	2.1	2.8	**-0.7**
BlackRock UK Gilts Over 15 yrs	-12.3	-12.3	**0.0**	-7.1	-7.2	**0.1**	-0.6	-0.7	**0.1**
Total	-2.7	-2.2	**-0.5**	8.3	7.2	**1.0**	8.2	7.1	**1.0**

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

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. 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 an individual line for 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 meaningful performance at this stage. The Fund's commitment will continue to be drawn under this mandate, and as the size of investment increases, performance information will be more readily available from the manager, and it will become more appropriate to report individually. In the meantime, for completeness, the calculated returns will feed through into the total Fund return based on net asset values (NAV's) and cashflow information provided by the manager.

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

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

There has been also no changes to RI ratings over the period.

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

Manager ratings

Manager/Mandate	Asset Class	Hymans Rating	RI Rating
LGIM	Global Equity	Preferred	Strong
LGIM	UK Equity	Preferred	Strong
LCIV JP Morgan	Emerging Markets	Suitable	Adequate
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

BlackRock fund update

The Blackrock ACS World Low Carbon Fund seeks to minimise carbon exposure and exclude companies with exposure to fossil fuels, while achieving a target tracking error. Blackrock are proposing some changes to the methodology of the fund, including some additional screens, phasing in scope 3 emissions and potentially incorporating temperature alignment data. We view these changes as positive developments towards meeting climate objectives and the Fund's transition to Net Zero.

LGIM business update

LGIM announced that Russell Jones has been appointed as the Head of Index Equities, EMEA and will be taking on David Barron's previous responsibilities. In addition, Sacha Mirza has been appointed to a newly created role as Head of Index Analytics and Technology.

Ruffer business update

Over the quarter Ruffer announced Aled Smith, Deputy CIO will join the Executive Committee and Henry Maxey, CIO will step down. The Executive Committee focuses on the ongoing running of the firm rather than the investment strategy.

Source: Investment Managers

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 LGP 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 c80% of the Fund's assets as at 31 March 2022. It excludes investments in property, private equity, infrastructure and private debt on account of the current lack of data in these areas.

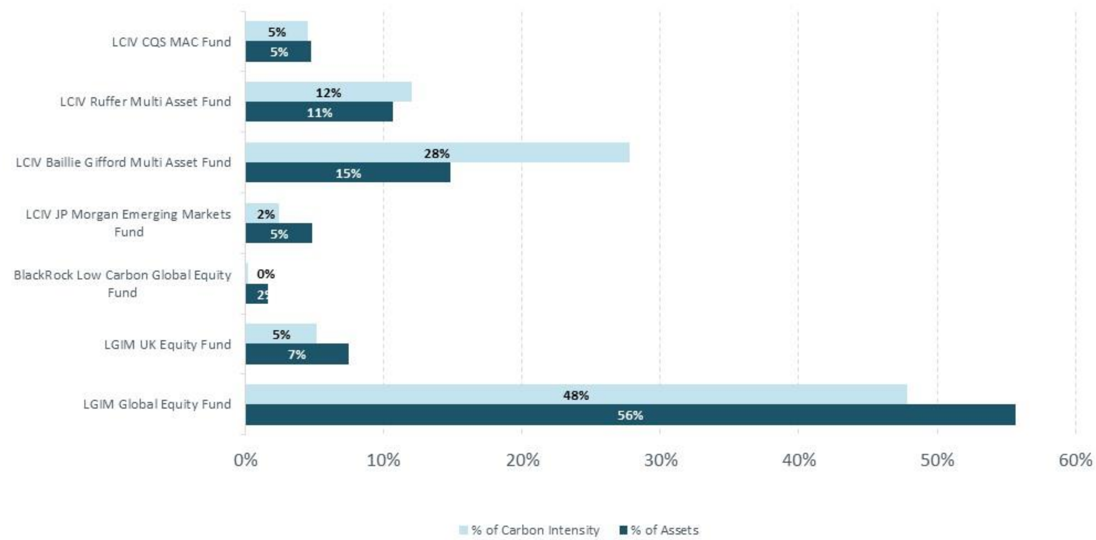
Despite only representing c.15% of assets shown here, the LCIV Baillie Gifford multi-asset fund is responsible for c.28% of the total carbon intensity.

Climate Risk Overview

	Weighted Average Carbon Intensity (tCO2/$m Sales)	Fossil Fuel exposure (any activity) (%)
Fund	**236.1**	**6.6%**
*Composite benchmark**	**274.9**	**8.1%**
Relative to benchmark	**-38.8**	**-1.5%**

*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

LGIM Global Equity

The LGIM global equity mandate posted a return of -2.7% over the quarter. However, performance in global equity markets remains strong over longer periods.

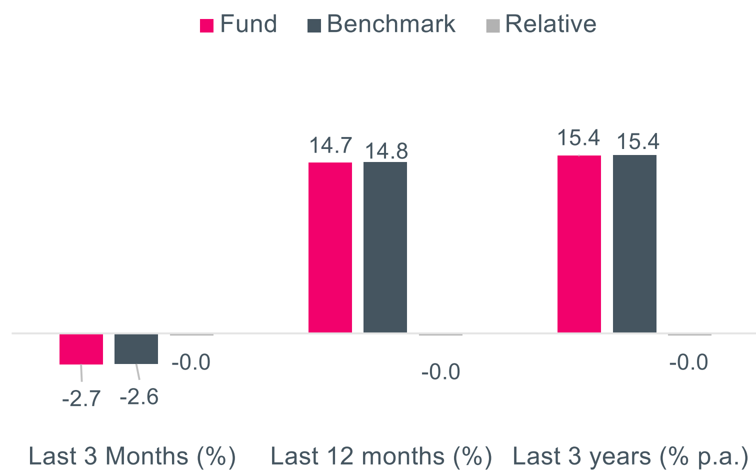
As an index-tracking fund, it has matched its benchmark over all periods.

Negative performance over Q1 2022 was largely due to the rotation towards cyclical value stocks and away from growth stocks, such as those in the technology sector which dominate the US market. Rising interest rates weigh heavily on the valuations placed on growth stocks given their earnings outlook is further into the future.

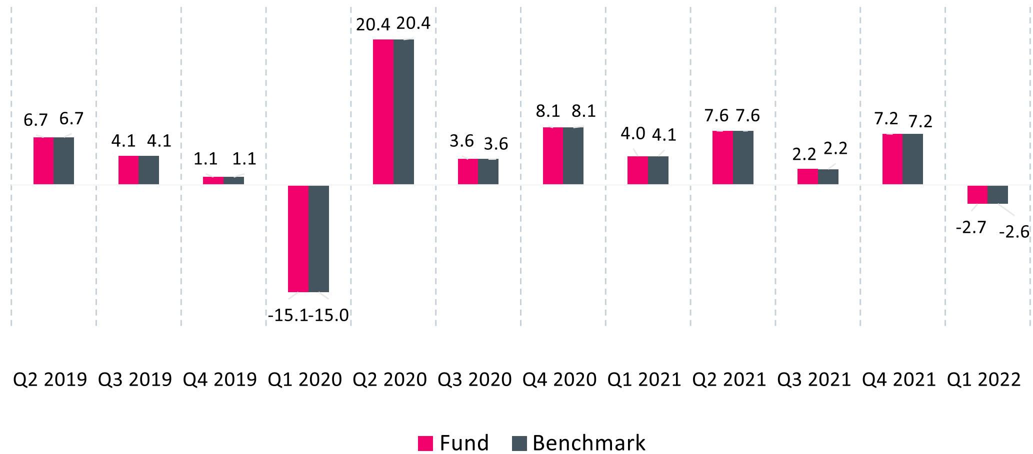
It should be noted that global markets were actually down even more over the period as the Russian invasion of Ukraine shocked markets at the end of February. However, Sterling depreciation helped reduce this effect. By the end of the quarter though markets had largely recovered from the initial sell-of hence the more moderate drawdown of 2.7%, although volatility and geopolitical uncertainty persist.

We continue to rate LGIM's index-tracking equity capabilities as 'Preferred', with an RI rating of 'Strong'.

Fund Performance vs benchmark



Historical Performance / Benchmark



Source: Investment Manager

LGIM UK Equity

The LGIM UK equity mandate returned 0.6% over the quarter, outperforming its global counterparts. Performance over 12 months and 3 years is strong, albeit lagging behind global markets as a whole.

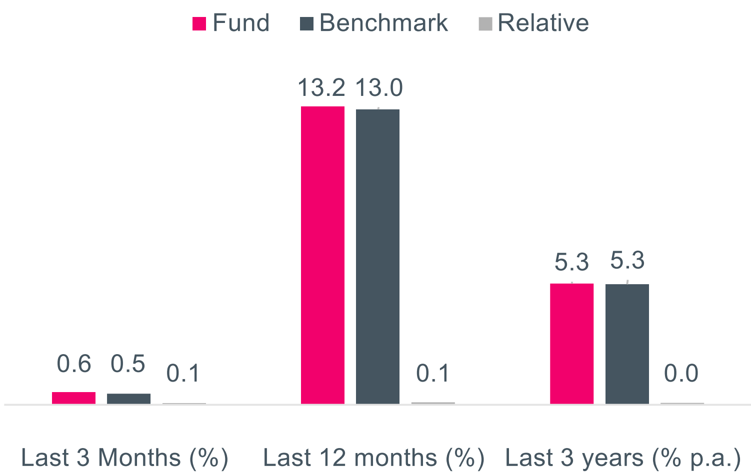
Over all period the fund has performed in line with its benchmark as we would expect for an index-tracking portfolio.

In Q1 2022, the UK outperformed wider equity markets due to its higher than average exposure to energy and basic materials which benefited from rising oil and gas and commodity prices, exacerbated by the Russia-Ukraine conflict.

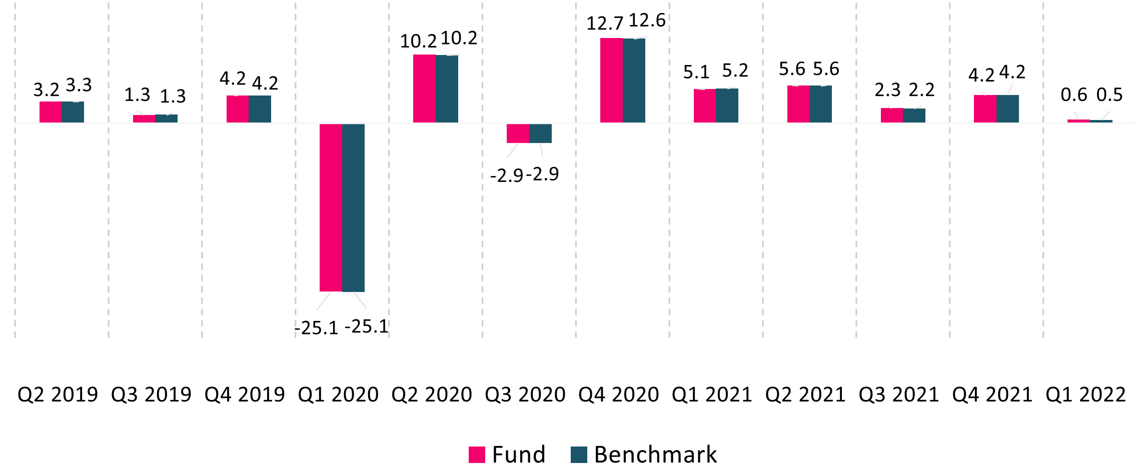
Another positive contributor to the fund's performance is the higher weighting within the UK market to financials, a sector that proved resilient, benefitting from the prospect of running higher margins on the back of interest rate rises.

We continue to rate LGIM's index-tracking equity capabilities as 'Preferred'.

Fund Performance vs benchmark



Historical Performance / Benchmark



Source: Investment Manager

LCIV JP Morgan Emerging Markets

The JP Morgan Emerging Markets fund returned -6.1% over the first quarter of 2022, against its benchmark of -4.3%. Over 12 months the fund has returned -10.2%, underperforming the benchmark by 3.3%.

Emerging markets have continued to lag developed markets equities in 2022. The invasion of Ukraine by Russia further negatively affected the emerging markets due to the impact on global supply chains.

Contributing to relative underperformance was the manager's weak stock selection and an overweight allocation to an underperforming communication services sector - Sea Ltd, previously a strong performer, continued to decline in Q1 2022.

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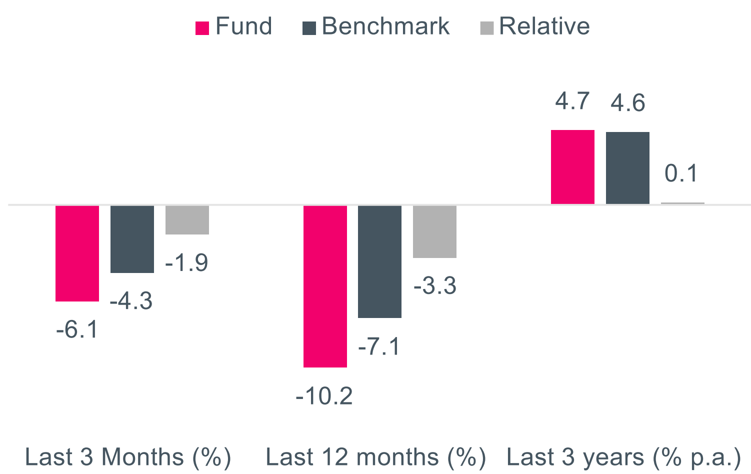
Within financials, the holding in Russian bank Sberbank has been written down to zero as the manager seeks to sell the holding.

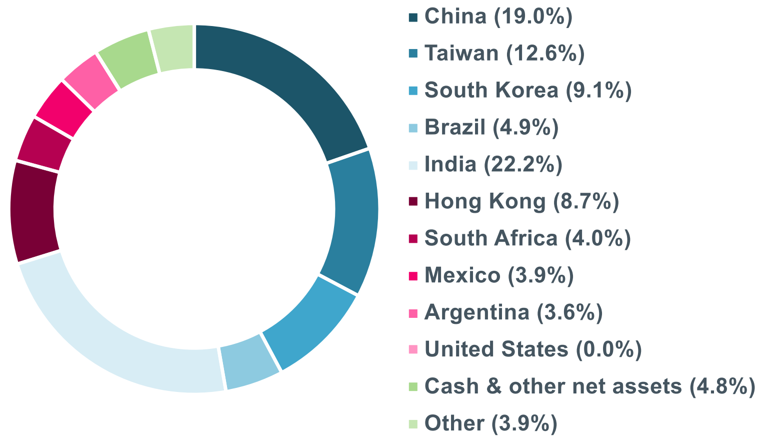
From a positioning standpoint, the manager believes the 'quality growth' bias in the strategy will serve it well over the longer term, particularly in a more subdued market environment.

We continue to rate JP Morgan's Emerging Market equity fund as 'Suitable', with an RI rating of 'Adequate'.

Fund Performance versus benchmark



Fund Regional Allocation



Source: Investment Manager

Blackrock ACS World Low Carbon

This is a relatively 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 Q2 2022.

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

The fund returned -2.5% over the quarter. Unsurprisingly given its weighting in the portfolio, this performance was largely driven by the US market and the underperformance of the technology sector.

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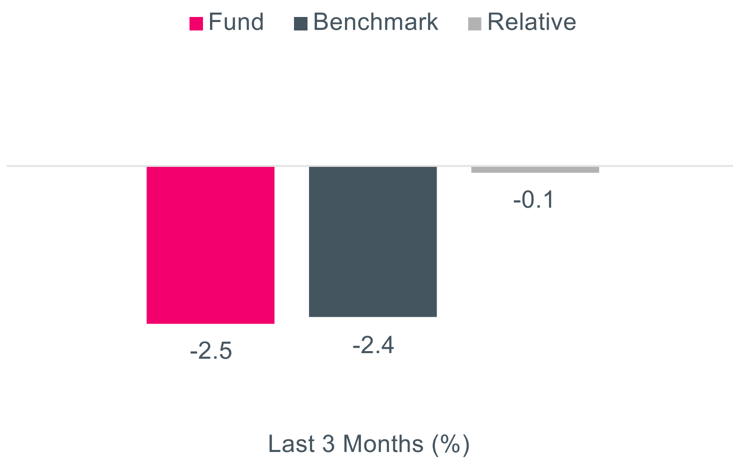
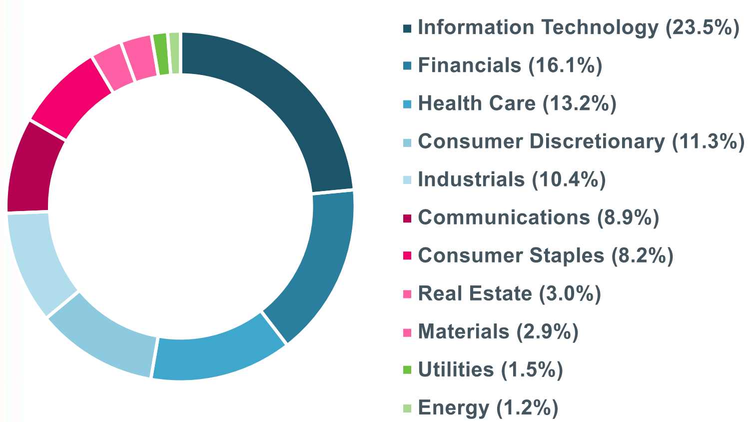
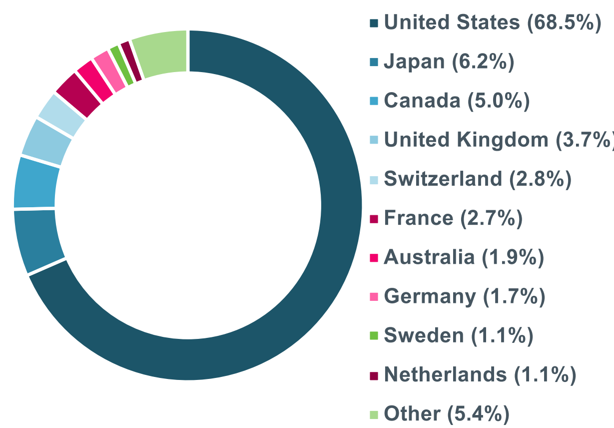
Fund performance vs benchmark



Sector allocation



Geographical breakdown



Capital Dynamics Private Equity

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

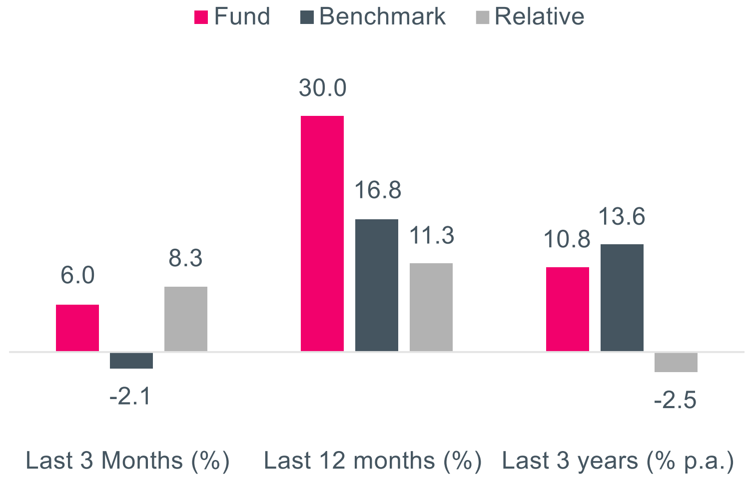
Based on information provided by Northern Trust, the fund returned 6.0% over the period ahead of its benchmark of -2.1% by 8.3%.

Over the more meaningful 3 year time period, the fund has returned 10.8% per annum although performance is behind benchmark and 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 30 September 2021 the IRR was 13.5% with a TVPI of 1.6x.

Fund performance vs benchmark



Summary as at 30 September 2021

Total contributed:	c.91.6%
IRR:	13.5%
TVPI:	1.6x

Source: Investment Manager

LCIV Baillie Gifford Multi-asset

The fund returned -6.1% over Q1, underperforming its benchmark by 6.7%. The fund remains comfortably ahead of its longer-term targets.

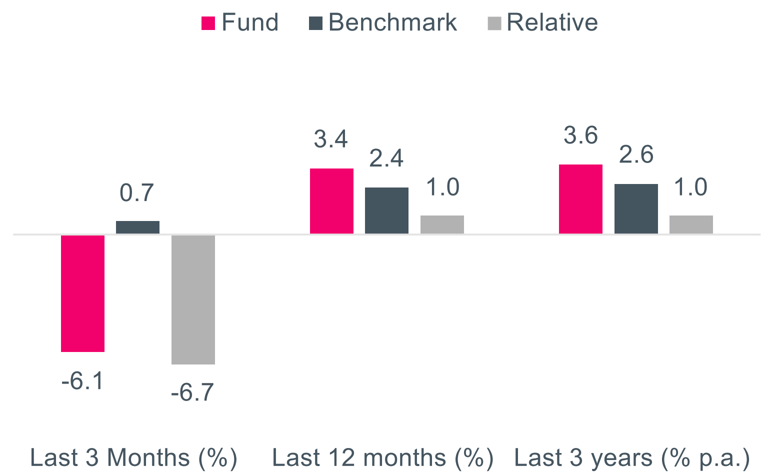
Key detractors to performance this quarter were holdings in equities and absolute return, which suffered amidst the heightened market volatility. Additionally, strategies expected to perform during economic stress failed and Baillie Gifford have since sold these.

High yield bonds also negatively contributed, in particular, Asian high yield bonds purchased last quarter as the newly implemented regulations prolonged the volatility seen in the Chinese property markets. The manager remains focused on the long-term opportunity of these holdings.

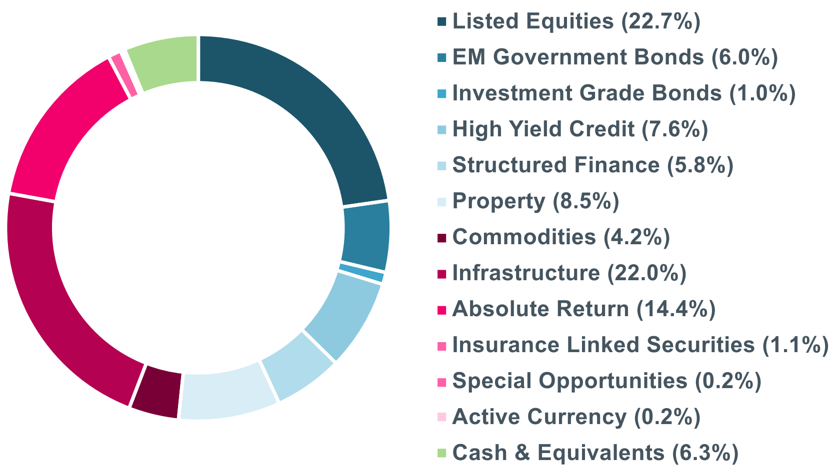
Commodities were the top performer this quarter as prices surged given Russia's position as major energy and commodity producer, albeit the mandate's low exposure restricted returns. Over the 1-year period, infrastructure and property remain top contributors.

Despite poor performance this quarter, Baillie Gifford remains focused on their longer-term trends and stresses the importance of not losing sight of long-term goals amidst the current volatile market.

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

LCIV Ruffer Multi-asset

The Ruffer Multi-Asset fund returned 4.4% over the first quarter of 2022, outperforming the benchmark by 3.7%. Longer term performance remains strong.

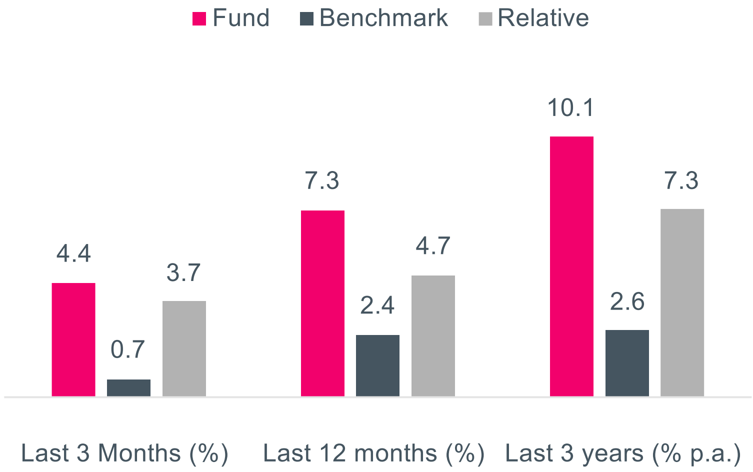
Performance was largely driven by a surge in volatility in bond and equity markets due to Russia's invasion of Ukraine. The fund proved resilient to the rapid adjustments in inflation that followed. In particular, options linked to interest rates performed well as bond yields rose over the quarter, in response to rising inflation.

The only significant detractor from performance over the quarter was due to the fund's direct holdings in long dated inflation-linked bonds, which suffered due to rising nominal yields.

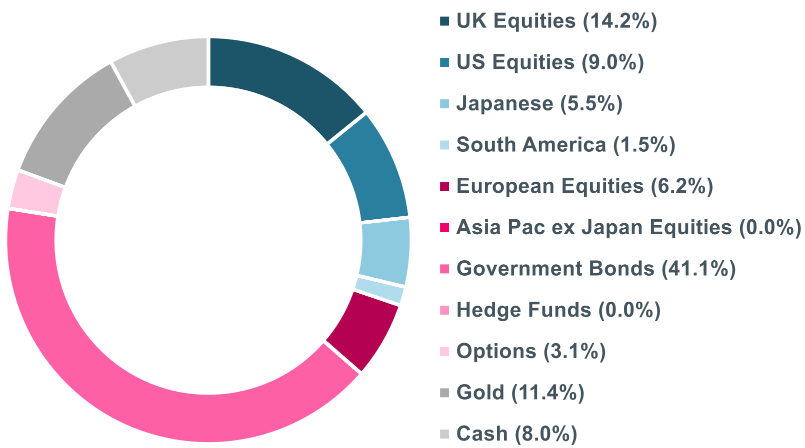
To hedge against volatility over the quarter, the manager added to its protection "bucket" by increasing cash holdings and interest rate options.

The portfolio position going forward remains cautious, however the manager is confident the fund is flexible enough to capitalise on emerging trends regarding supply chain issues, food security and energy transition.

Fund Performance versus benchmark



Fund Asset Allocation



Source: Investment Manager

Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

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

TVPI essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date.

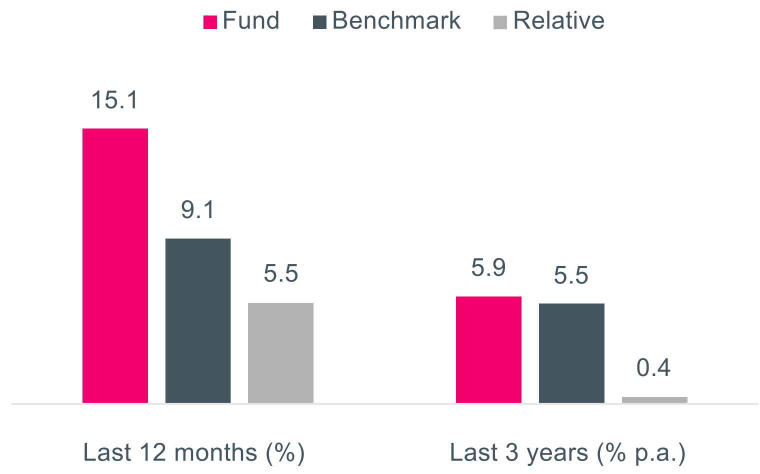
Remaining capital commitments as at 31 December are as follows:

Alinda II: $3,308,129
Alinda III: $8,352,993

The following net distributions (distributions less contributions) were made over Q1 2022:

Alinda II: $1,538,010
Alinda III: $873,086

Fund performance vs benchmark



Summary as at 31 March 2022 ($)

	Alinda Fund II	Alinda Fund III
IRR (Gross)	5.4%	22.6%
IRR (Net)	2.8%	15.6%
Cash yield	6.7%	10.1%
TVPI (Net)	1.1x	1.5x

Source: Investment Manager

LCIV Infrastructure

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

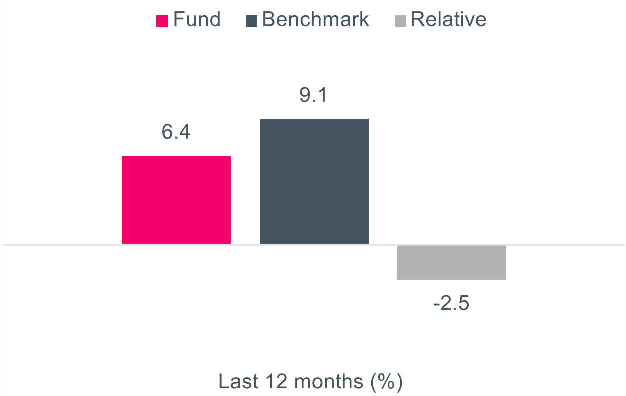
The LCIV Infrastructure fund is managed by Stepstone.

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

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

The LCIV Infrastructure fund is in the ramp-up stage, with a further £3.9m drawn down over Q4 2021, bringing the NAV at 31 December 2021 to £19.5m (provided by LCIV). This NAV will be different to that provided by Northern Trust (NT) in their 31 December 2021 report due to the need for estimation by NT given the lagged reporting of actual NAV.

Fund performance vs benchmark

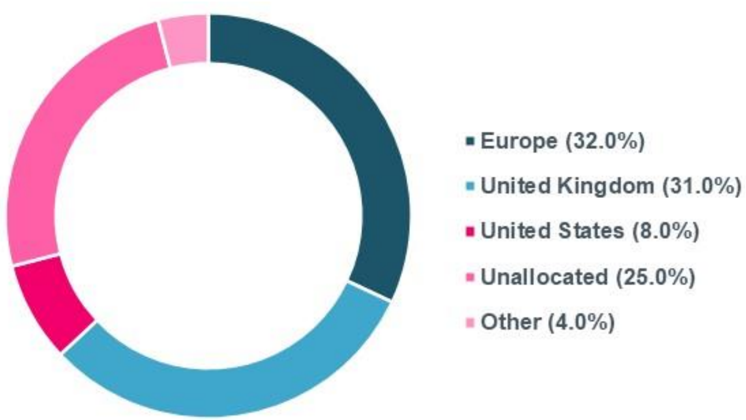


Fund Statistics as at 31 December 2021 (£m)

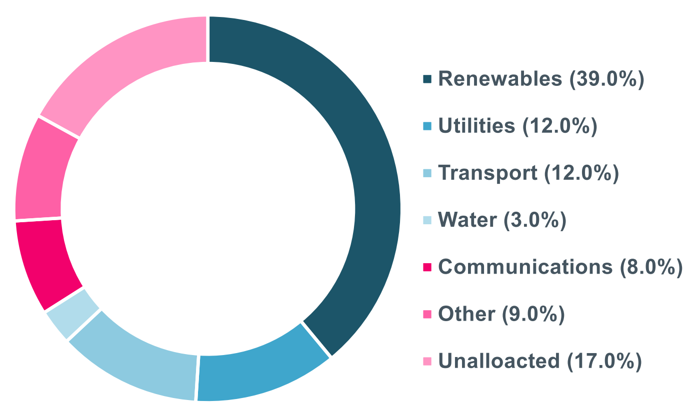
Capital committed	£50.0
Total contributed	£19.2
Distributions	£0.0
Value created	£0.3
Net asset value *	£19.5

*as provided by LCIV

Fund Geographical Allocation (31 December 2021)



Fund Sector Allocation (31 December 2021)



Source: Investment Manager

Capital Dynamics Infrastructure

Target: Absolute return of 8.0% p.a.

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

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

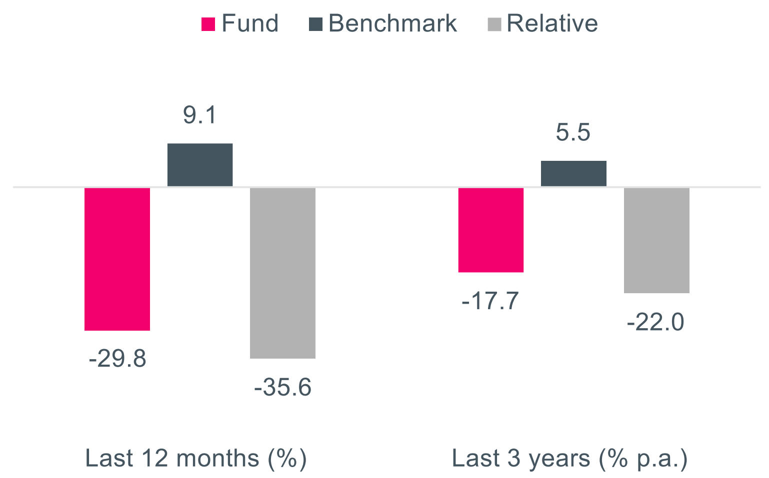
With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures.

Reporting on underlying commitments is as at 31 December 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 continues to marginally improve.

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

Fund performance vs benchmark



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

Capital committed	$15.0
Total contributed	$14.7
Distributions	$1.2
Value created	($5.3)
Net asset value	$8.4

Net IRR since inception	(5.2%)
Total value-to-paid-in-ratio (TVPI)	0.69x

Source: Investment Manager

LCIV Private Debt Fund

Target: Absolute return of c6.0%

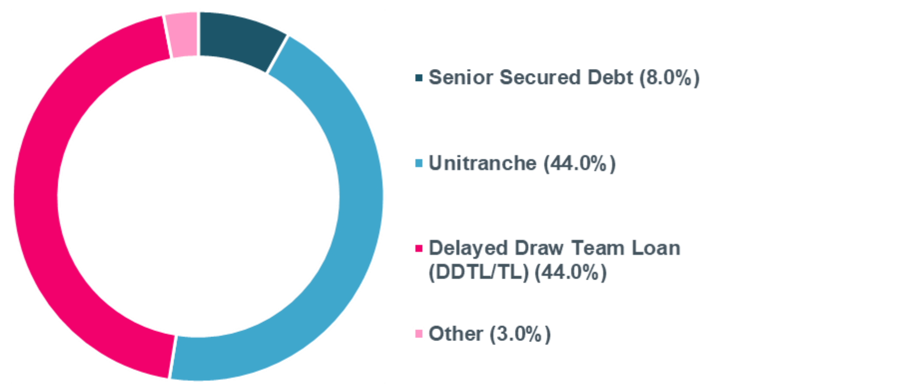
The LCIV Private Debt Fund consists of two underlying managers: Pemberton and Churchill with target split being 50/50.

To date, the Pemberton fund represents 58% of commitments invested due to its higher deployment pace versus the Churchill fund (42%). Over time this will converge towards the target, although Pemberton is expected to stay ahead in the near term as they aim to be fully deployed by end 2022.

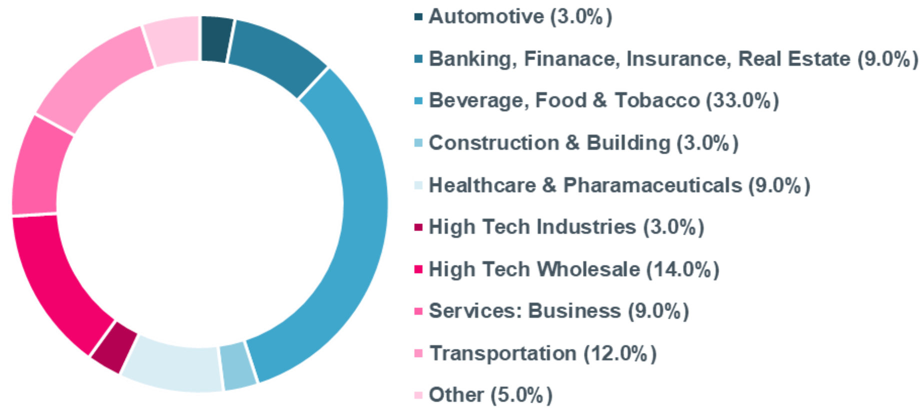
The two key metrics to assess performance for private debt investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

At this stage of investment, it is too early to assess performance on a purely percentage basis. TVPI is more informative, albeit an informative value is not yet available due to the infancy of the fund. TVPI 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



Source: Investment Manager

LCIV CQS Multi-asset Credit

Over the first quarter of 2022, the LCIV's multi-asset credit strategy returned -5.3% against a benchmark of 0.6%. Performance was also negative over the past 12 months which has resulted in longer term performance now falling behind benchmark by 0.7%.

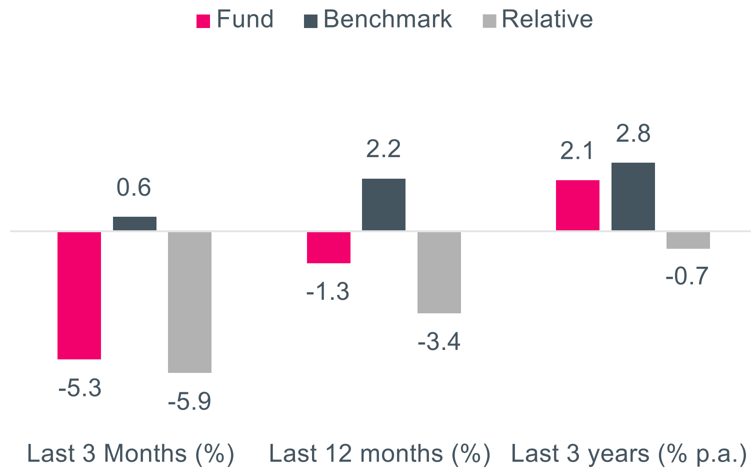
We would note when monitoring performance against fixed targets, it is more meaningful to consider the longer term as volatility can be expected in the short term.

The key detractor from performance over the quarter were financials, specifically Sberbank, a Russian bank heavily affected by recent sanctions against Russia.

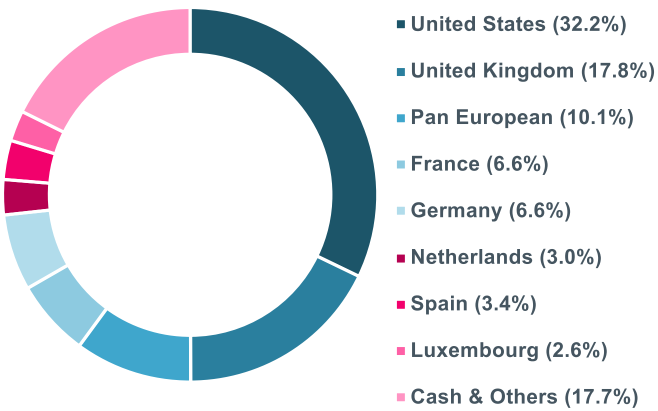
High yield bonds negatively impacted performance over the quarter, as spreads widened to initial pandemic levels. Asset backed securities also contributed to negative performance. In particular, the aircraft leasing sector suffered due to concerns over the impact of sanctions. The mandate's bias towards this asset class proved unfavourable.

Going forward, the manager will begin to shift the loans portfolio to have a US bias, as they look to increase the credit quality to help navigate the current uncertain environment..

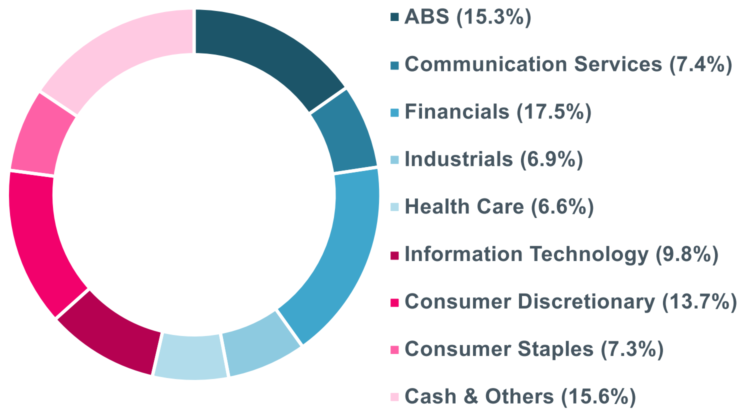
Fund performance vs benchmark



Country Weights



Sector Weights



Source: Investment Manager

HYMANS ROBERTSON

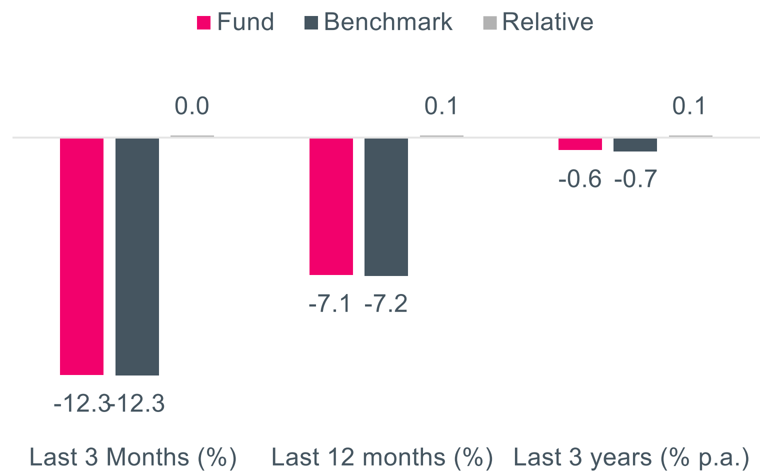
BlackRock UK Gilts

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

It is an index-tracking managed mandate aimed at matching the FTSE UK Gilts Over 15 Yrs index, hence performance matches targeted returns for all periods.

Over the period the fund returned -12.3%. This was largely due to the significant increase in both shorter and longer dated gilt yields seen over the quarter, which caused the value of the gilts portfolio fall.

Fund performance vs benchmark



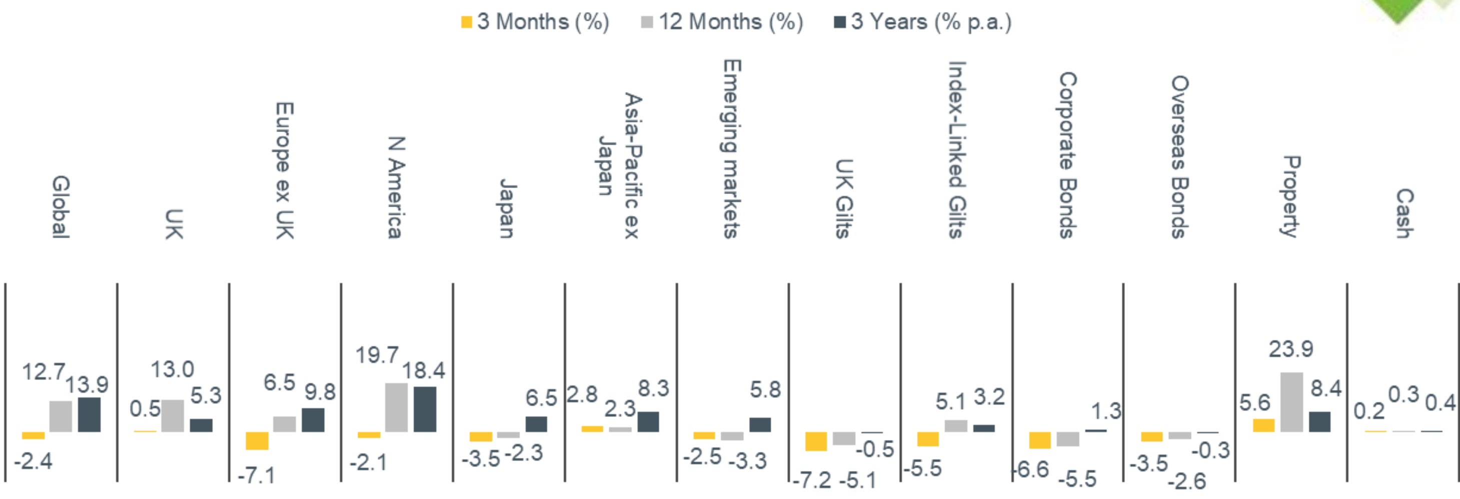
Source: Investment Manager

Physical disruptions and sanctions caused by the Russia-Ukraine conflict have triggered broad commodity price rises which, alongside existing inflationary pressures, are increasing input costs and weighing on consumer's real incomes. As a result, CPI forecasts have reached new highs while consensus forecasts for global growth have been revised downwards, but still point to a relatively robust pace of growth over 2022 and 2023 by post-Global Financial Crisis standards.

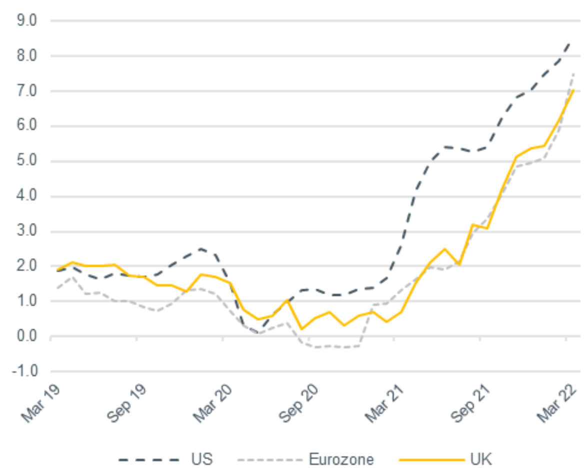
The inflation backdrop has seen central banks turn more hawkish this year, despite the potential downside risks to growth from higher commodity prices. After a first hike in December, the Bank of England raised rates twice in Q1 to 0.75% p.a., and, as expected, the US Federal Reserve raised rates by 0.25% p.a. in March, with the median voting member now expecting seven rate rises in 2022 and four in 2023. The European Central Bank confirmed its asset purchases will end this year, leaving the door open to an interest rate rise, while the Fed noted plans to reduce the size of its balance sheet.

Global sovereign bond yields rose significantly to reflect increased rate rise expectations with UK 10-year gilt yields rising 0.7% p.a., to 1.6.% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose 0.5% p.a., to 4.4% p.a., as real yields rose to a lesser extent then their nominal counterparts.

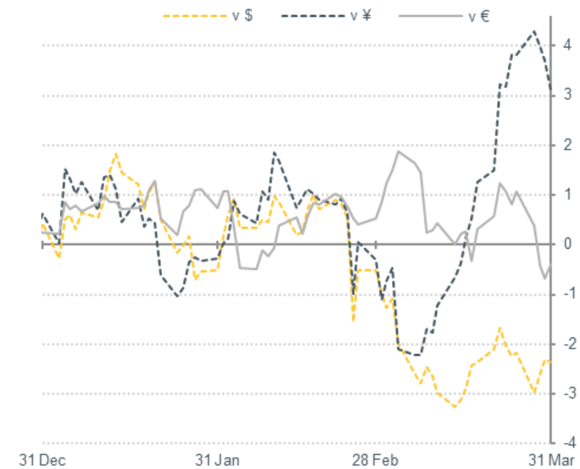
Historic returns for world markets [1]



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 0.3% p.a., while US and European speculative-grade spreads increased 0.3% p.a. and 0.7% p.a., respectively. Larger increases in European spreads perhaps allude to the greater exposure of European corporates and consumers to higher energy prices.

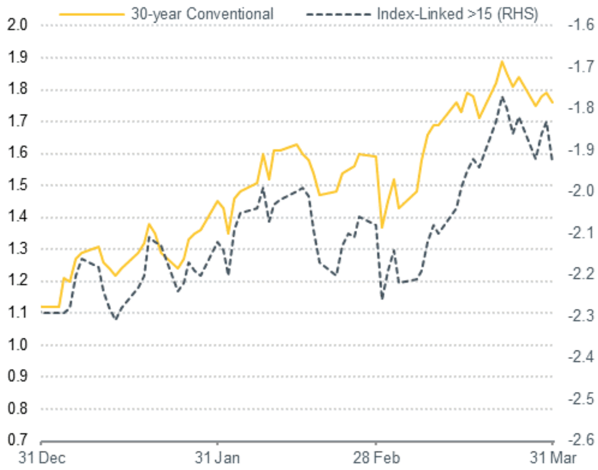
Commodity prices surged to extreme levels and faster expected monetary tightening in the US contributed to a rally in the dollar, whilst safe-haven appeal drove gold prices higher.

Concerns about central bank tightening, slowing earnings momentum, and the geopolitical situation have all contributed to global equities falling 4.6% this year, despite a bounce back in March. Value stocks notably outperformed growth stocks as rising yields weighed most heavily on the valuations of stocks with earnings growth further in the future, such as those in the technology sector. The consumer discretionary sector also underperformed as markets considered the impact of inflation on real consumer incomes. Surging oil and gas prices sees the energy sector lead the year-to-date performance rankings.

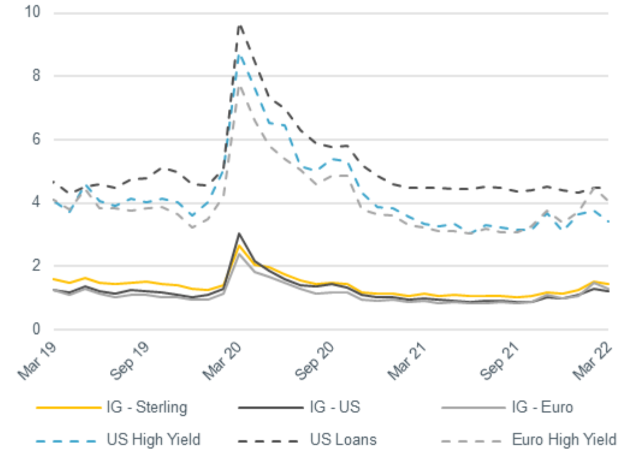
The UK AND Asia – Pacific ex Japan were the only regions to deliver a positive return, benefiting from above-average exposure to energy, metals, and miners. Europe fell to the bottom of the performance rankings, whilst Emerging Markets fell further as new COVID-19 lockdowns and broader geopolitical concerns weighed on Chinese markets.

Page 31

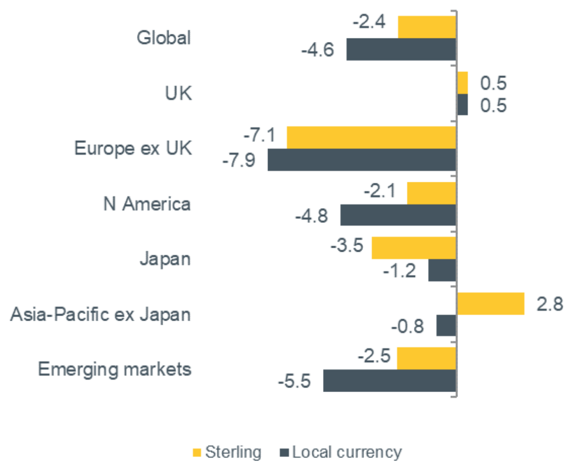
Gilt yields chart (% p.a.)



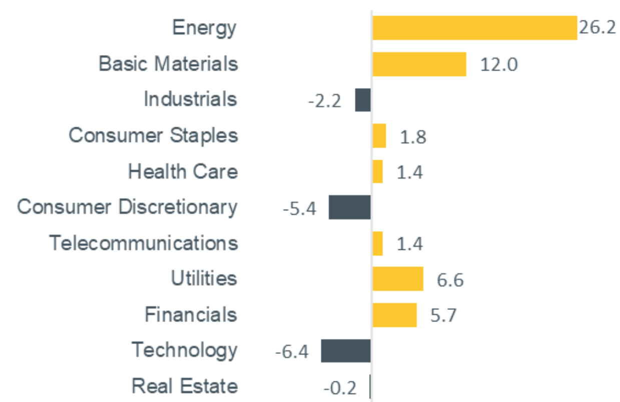
Investment and speculative grade credit spreads (% p.a.)



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.

Hymans Rating

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

Responsible Investment

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

Risk Warning

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

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

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Geometric v Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

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

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

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Brent	**Pensions Fund Sub-Committee** 27 June 2022
	Report from the Director of Finance

Brent Business Plan for the Pension Fund

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One 1. Brent Business Plan
Background Papers:	▪ None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 minesh.patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.jassar@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.shah@brent.gov.uk

1.0 Purpose of the Report

1.1 The purpose of this report is to outline the business plan for the Fund for the next 12-18 months prepared by the Fund's investment advisors, Hymans Robertson.

2.0 Recommendation(s)

2.1 The Committee is asked to note the overall report.

3.0 Detail

3.1 The Fund's principle long-term objective is to provide retirement benefits to its members and the Fund invests its assets in order to meet this objective. The overarching investment strategy remains to establish a stable and affordable contribution rate alongside maximising return from investments at appropriate risk levels.

3.2 A suitable investment strategy will deliver the required return from the Fund's assets, and managing an investment strategy also places a governance requirement for all parties involved. Having a logical and structured business plan will support members and officers in meeting the Fund's objectives.

3.3 The business plan, set out in Appendix 1, identifies key priorities for the Fund to cover for the period to December 2023. It also highlights completed actions over the previous 12-18 months are summarised in Appendix 1. These include moving the investment strategy towards target allocations, various training sessions, evolving the Fund's Responsible Investment beliefs and introducing an investment in low-carbon equity.

3.4 In summary, the business plan plots the key priorities for the Fund for the next 12-18 months through the following activity groupings:

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

3.5 The Business Plan highlights that it is not a fixed document, and will evolve over time.

4.0 Financial Implications

4.1 These are no direct financial implications arising from this report. Financial implications will be considered when changes to the Fund's investments are presented to the committee for decision.

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

<u>Report sign off:</u>

Minesh Patel
Director of Finance

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Business plan for the Fund

Introduction

This paper is addressed to the London Borough of Brent as Administering Authority to the London Borough of Brent Pension Fund ("the Fund"). It may also be shared with the Pension Fund Sub-Committee (the "Committee"). It sets out the investment business plan from Q2 2022 for the next 12-18 months, as well as covering the past two quarters. This plan summarises the topics covered in recent months and looking forward allows for the evolving priorities for the Fund over the period to 31 December 2023. **We expect this plan to remain a live document that evolves over time and is used to help set meeting agendas and the Fund's investment and governance needs.**

Background and objectives

The Fund's overriding long-term objective is to provide retirement benefits for its members. To meet this objective the Fund adopts the following principles, as set out in the Investment Strategy Statement (ISS):

- 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;
- Maximise the returns from investments within reasonable risk parameters.

These principles highlight the interconnected world of funding and investment i.e. there is a balance to be achieved between the level of expected return from investments and the level of required contributions in order to meet the overall objective. Simplistically put, the greater reliance placed on the Fund's investments for returns, the lower level of contributions that may be required.

Seeking a higher level of return from the investment strategy though inherently means more risk needs to be taken which can be at odds with the principle of keeping employer contributions "as stable as possible and at reasonable cost". Risk therefore plays an important role in striking the necessary balance, and this level of risk will evolve over time for various reasons e.g. the Fund's funding position progression and risk appetite. Ultimately, the long-term vision for an LGPS Fund is to achieve some form of steady state – to be able to maintain a stable and affordable contribution rate by delivering a target return subject to an acceptable level of risk.

From an investment perspective, the above objective and principles has been translated into a suitable investment strategy to deliver the necessary return from the Fund's assets. Setting and managing an LGPS investment strategy has many facets to it though. Investing is only the end result, there is a substantial amount of governance work required by numerous parties in the background. Having a robust, well-structured plan in place will support Officers and Committee members in meeting the Fund's aforementioned objectives.

The rest of this paper sets out the Fund's investment work items under various categories and a proposed timetable to provide clear visibility of how and when each may be explored by Officers and Advisors and potentially subsequently addressed by the Sub-Committee at relevant meetings.

Business plan

Overleaf we show a broad timetable for the various areas and opportunities to be explored by the Fund over the next 12-18 months. For convenience we have drawn out the main priorities below as well as a summary of completed actions in the previous 12-18 months to provide context and demonstrate the good work undertaken by the Fund on its journey to date.

Key priorities

We view the following as the key items for the Fund to cover over the period to 31 December 2023:

- Equity allocation review
- Protection assets allocation review
- Further development of the Fund’s governance arrangements (e.g. ensure existing investment beliefs still appropriate and agree RI priorities)
- Suitability study of LCIV UK Housing Fund with view to making a commitment
- Review of private market commitments with a view to making ‘top-ups’
- Agree structure of future property allocation post upcoming property investment
- Further develop RI reporting within the quarterly investment monitoring report

Completed actions

Over the previous 12-18 months we have worked with Officers on a number of key areas:

- Investment Strategy & Structure review (focusing on interim and long-term diversification as well as the formatting of investment beliefs);
- Governance and Regulation (regular engagement with relevant stakeholders and regularly reviewing of the Fund’s key documentation including the Investment Strategy Statement (ISS));
- Various training sessions covering key items such as the investment strategy review process, responsible investment and private market investing (assets such as infrastructure, private debt and property);
- Pooling (analysis of LCIV offerings and transition into a number of sub-funds e.g. private debt);
- Evolving the Fund’s Responsible Investment beliefs and diversifying the equity holding to incorporate an investment in low-carbon equity – investment in BlackRock’s ACS World Low Carbon Tracker Fund;

- Regular monitoring of the Fund's performance against relevant targets and benchmarks;
- Regular monitoring of asset allocation and undertaking of rebalancing where and when appropriate.

Table 1: Business plan

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Strategy and implementation	- Initial scoping for 2022 investment strategy review and agree outputs	- Develop scope in discussion with actuarial team for investment strategy review (to coincide with 2022 actuarial valuation) - Update net zero road map and identify priority actions for following 6-12 months	- Conitinue to monitor UBS Triton Fund pricing	- Discuss initial results from 2022 valuation modelling and next steps - Agree scope for structure review (focus on ESG equity funds, private markets top-ups and protection assets) - Review of LCIV UK Housing Fund - Conitinue to monitor UBS Triton Fund pricing	- Recommend and agree equity allocations to carbon/ESG tilted funds alongside UK allocation - Confirm commitment to LCIV Housing Fund (subject to agreement in Q4) - Conitinue to monitor UBS Triton Fund pricing	- Recommend and agree changes to private markets and protection asset allocations - Implement changes to equity allocation - Conitinue to monitor UBS Triton Fund pricing	- Implement changes to protection asset allocation		
Monitoring and reporting	- Q3 2021 IMR - Rebalancing check - Engage with managers/LCIV on RI reporting format	- Q4 2021 IMR - Rebalancing check - Introduce carbon metric reporting in quarterly monitoring reporting	- Q1 2022 IMR, including carbon metric - Rebalancing check	- Q2 2022 IMR, including carbon metric - Rebalancing check		- H2 2022 IMR - Rebalancing check - Develop carbon reporting in light of TCFD consultation and availability of data from LCIV	- Q1 2023 IMR - Rebalancing check	- Q2 2023 IMR - Rebalancing check	- Q3 2023 IMR - Rebalancing check
Pooling - progress and timetable	- Pooling update/timetable - Review of LCIV progress	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable - Discuss LGPS pooling consultation	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable
Responsible Investment	-Review RI integration policies of managers/LCIV - Monitor RI related guidance - Engage with managers/LCIV on RI reporting format - Carbon footprint reporting/ESG reporting including gap analysis e.g. for private market mandates	- Monitor RI related guidance - Agree metrics to monitor (LCIV standard reporting) - Initial discussion of net zero target dates and assessment of feasibility	- Monitor RI related guidance - Establish manager monitoring programme e.g. attendance at meetings	- Review of RI beliefs, priorities (capturing 'E', 'S' & 'G') - Develop "strawman" based on 2030, 2040 and 2050 net zero target dates - Agree initial net zero targets in principle, including qualitative targets for private markets if required - Define "on track" target line	- Discuss "local impact" infrastructure consultation - Discuss TCFD consultation - Review of growth allocation to incorporate RI beliefs	- Update relevant policies e.g. ISS, RI beliefs - Define stewardship role and monitoring requirements - Establish manager monitoring programme e.g. attendance at meetings			

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Governance	- Monitor guidance/regulation updates - Review of business plan - Review CMA objectives and submit compliance	- Monitor guidance/regulation updates	- Monitor guidance/regulation updates - Review of business plan	- Monitor guidance/regulation updates - Annual Review of ISS	- Monitor guidance/regulation updates - Review CMA objectives and submit compliance - Review of business plan	- Monitor guidance/regulation updates	- Monitor guidance/regulation updates	- Monitor guidance/regulation updates - Annual Review of ISS - Annual review of policies (including cashflow/rebalancing)	- Monitor guidance/regulation updates - Review CMA objectives and submit compliance - Review of business plan
Training	- Governance (role of Sub-Committee) - RI Training	- Investment strategy review (possible joint training with actuarial team ahead of valuation) - RI Training	- Develop annual training plan to enhance knowledge and understanding of members - New member training	- Training on TCFD/net zero					
Other	- Cross-practice working with actuarial team on any preparatory work for 31 March 2022 valuation	- Continued cross-practice work in lead up to formal valuation exercise							

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Other ad-hoc items will also continue to arise for specific meeting agendas. There is also the chance that the Fund may create ongoing work-streams depending on what decisions are taken in respect of issues such as the Fund's Responsible Investment policy.

This plan should therefore be viewed as relatively fluid and a broad outline of the items we would expect to address over the period to 31 December 2023, and we would emphasise the need to maintain a degree of flexibility in the Fund's timetable.

We look forward to discussing this plan with you on our next call.

Prepared by:-
Kenneth Taylor, Investment Consultant
Kameel Kapitan, Investment Consultant
Ahmed Elsaddig, Investment Analyst

June 2022
For and on behalf of Hymans Robertson LLP

Brent	**Pensions Fund Sub-Committee** 27 June 2022
	Report from the Director of Finance

Net Zero Transition Roadmap

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One • Roadmap to net zero
Related documents:	Net Zero Transition Roadmap – 5 October 2021
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk

1.0 Purpose of the Report

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

2.0 Recommendation(s)

2.1 That the Pension Fund Sub-Committee note the update on the net zero road map as outlined in Appendix 1.

3.0 Detail

3.1 The Fund's investment advisors, Hymans Robertson, prepared the attached report, in Appendix 1, for the Pension Sub-committee meeting on 21 February 2022.

3.2 In light of the Local government elections which took place on 5 May 2022 and the subsequent changes to members on the committee, the report is being re-presented to update on work undertaken with officers on progress against the roadmap that was previously agreed with the Pensions Fund Sub-Committee ("Committee").

3.3 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.

3.4 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.

3.5 At the 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.

3.6 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 bought 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.

<u>Report sign off:</u>

Minesh Patel
Director of Finance

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Roadmap to net zero

London Borough of Brent Pension Fund

Kenny Taylor, Investment Consultant

Kameel Kapitan, Investment Consultant

27 June 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

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

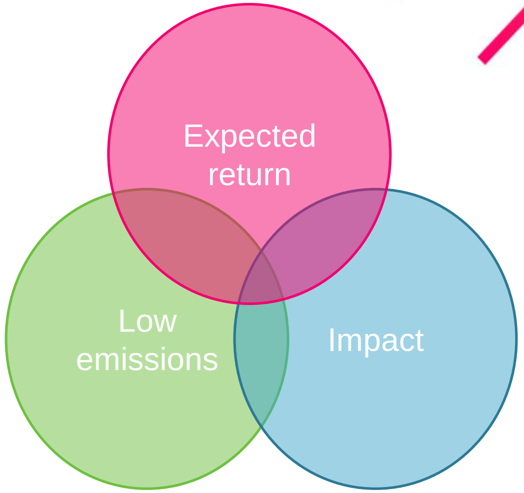
ERTSON

HYMANS ROBERTSON

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

Hymans Robertson

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	Capital allocation	Monitoring and engagement
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	• 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	• Review steps being taken by LCIV, BlackRock, LGIM to deliver ongoing reductions in carbon emissions and on the Fund’s broader ESG priorities
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	• 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, property managers to deliver ongoing reductions in carbon emissions and on the Fund’s broader ESG priorities
Protection assets (c£175m) • Multi-asset credit fund, gilts and cash	• 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”	• Review steps being taken by LCIV to deliver ongoing reductions in carbon emissions and on the Fund’s broader ESG priorities
	Map out expected reduction in carbon emissions as a result of these strategic changes	**Monitor progress against targets and engage, challenge managers on actions being taken, including LCIV**

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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 CO_2 equivalent) per m revenue/market value.	Carbon intensity is a measure of how much CO_2 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 March 2022

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 LGP 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 c80% of the Fund's assets as at 31 March 2022. It excludes investments in property, private equity, infrastructure and private debt on account of the current lack of data in these areas.

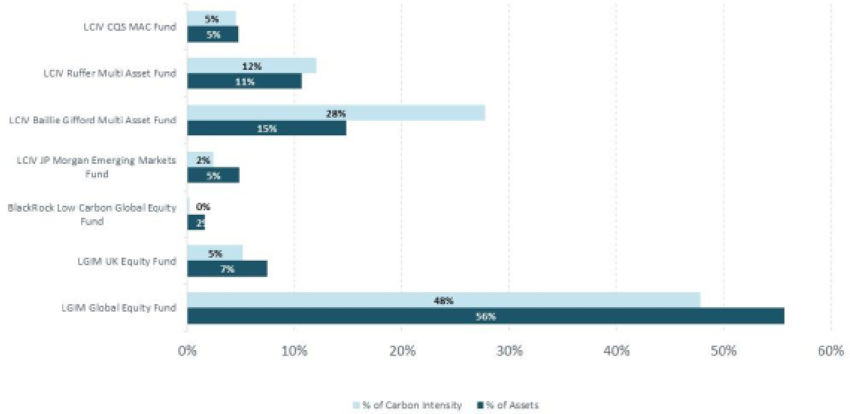
Despite only representing c.15% of assets shown here, the LCIV Baillie Gifford multi-asset fund is responsible for c.28% of the total carbon intensity.

Climate Risk Overview

	Weighted Average Carbon Intensity (tCO_2/\$m Sales)	Fossil Fuel exposure (any activity) (%)
Fund	236.1	6.6%
*Composite benchmark**	274.9	8.1%
Relative to benchmark	-38.8	-1.5%

*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

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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

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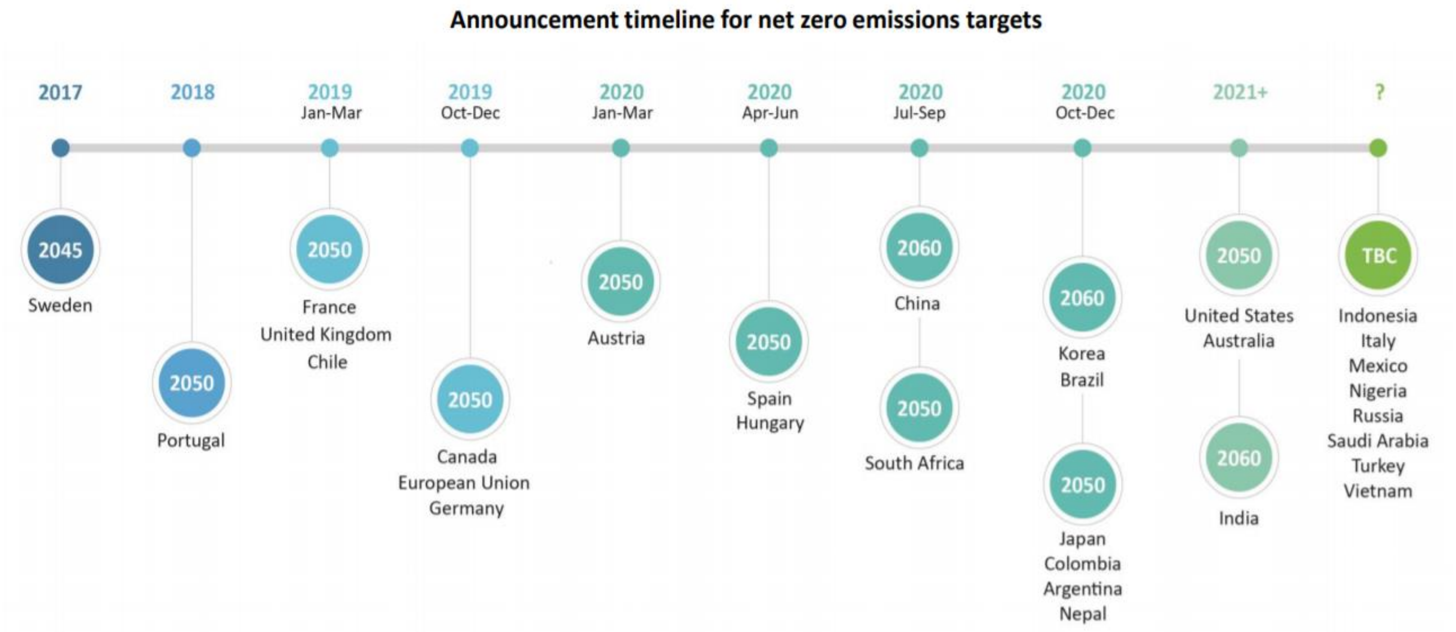

Example net zero goals and considerations

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

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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 Offsets

  both 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

- Agreed in February:
    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

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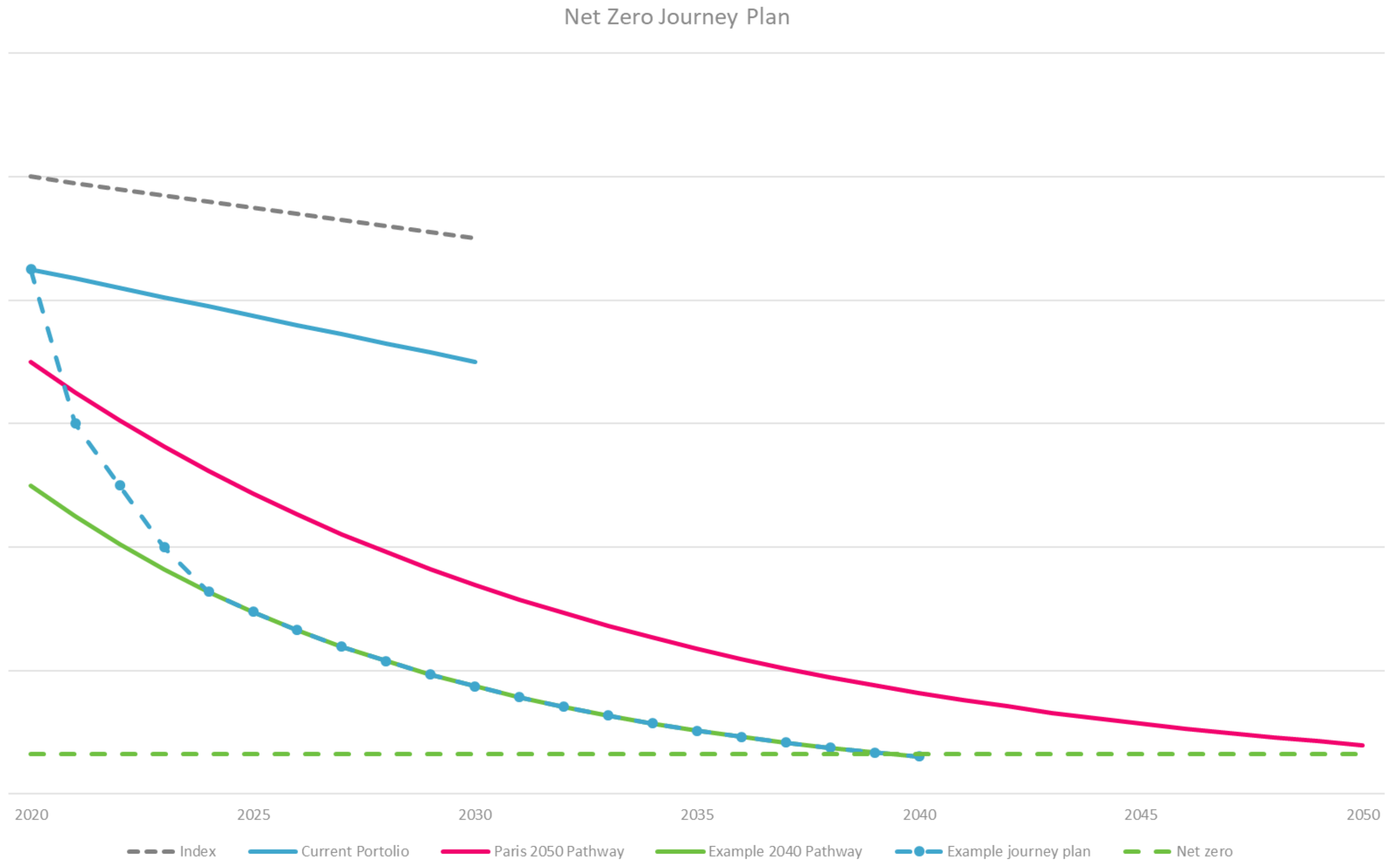
Appendix

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).



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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.

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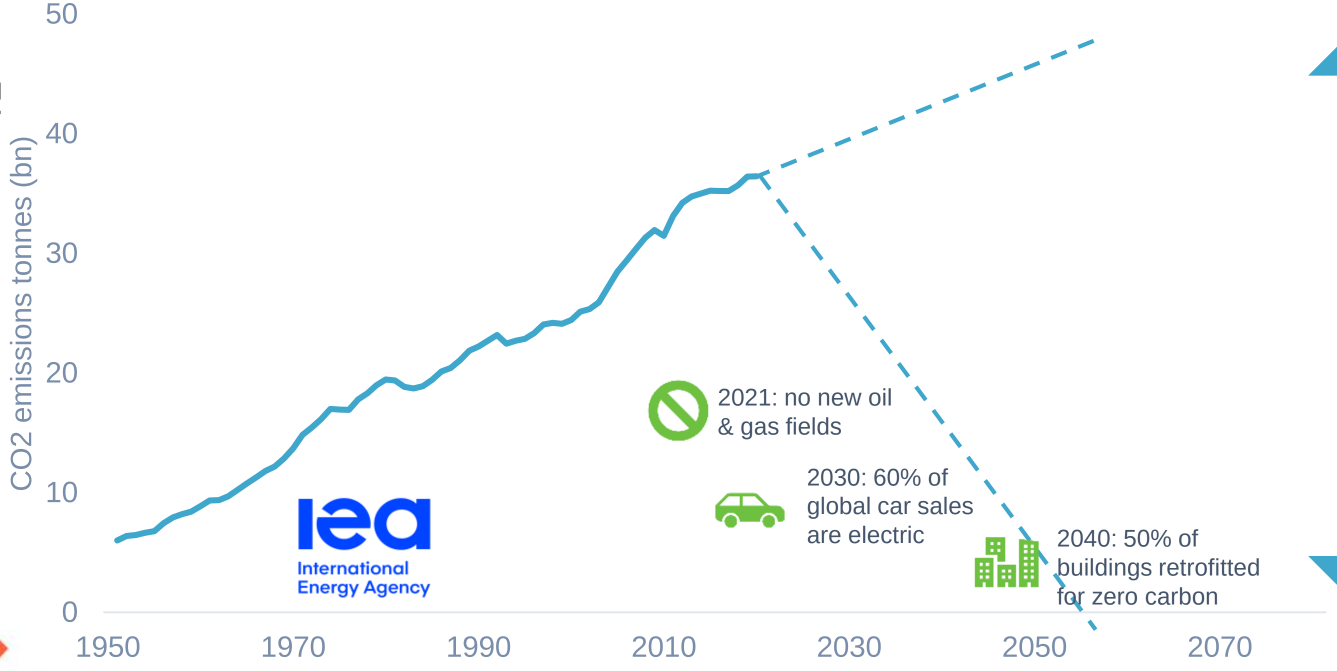

Limited policy action
>2 degree warming by 2100
Significant **physical** risks

Strong policy action:
<2 degree warming by 2100
Significant **transition** risks

Pathways create stranded assets

Source: Global Carbon Project, International Energy Agency

Key climate risks

Physical risks	Transition risks	Liability 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.	• 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.	• 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 1
- All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from factory operations).

Scope 2
- Indirect GHG emissions that occur from the generation of purchased energy consumed by the company.

Scope 3
- Emissions that arise as a *consequence* of the activities of the company, but not necessarily owned or controlled by the company (e.g. employee travel, supply chains, use of end products).

- 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

Risk warning

This pack is addressed to the Committee of the London Borough of Brent Pension Fund (the “Fund”). This paper should not be released or otherwise disclosed to any third party except as required by law or regulatory obligation or without our prior written consent. We accept no liability where the paper is used by, or released or otherwise disclosed to, a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

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.

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Agenda Item 8

Brent	**Pensions Fund Sub-Committee** 27 June 2022
	Report from the Director of Finance

Brent Pension Fund: Draft Annual Accounts 2021/22

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	1 – Brent Pension Fund Draft Accounts 2021/22 2 – External Audit Plan – year ended 31 March 2022
Background Papers:	▪ N/A
Contact Officer(s): (Name, Title, Contact Details)	Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk Rubia Jalil, Finance Analyst 0208 937 1855 rubia.jalil@brent.gov.uk

1.0 Purpose of the Report

1.1 This report presents the draft Pension Fund Annual Accounts for the year ended 31 March 2022.

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report.

3.0 Detail

3.1 Attached as Appendix 1 are the draft Pension Fund Annual Accounts for the year ended 31 March 2022.

3.2 The accounts have been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) governing the preparation of the 2021/22 financial statements for Local Government Pension Scheme funds. The accounts (which are unaudited) aim to give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2022.

3.3 The main items to note are as follows:

- During 2021/22, the value of the Pension Fund's investments has increased to £1,128m (2020/21 £1,032m). This is largely due to the performance of growth holdings (global, UK and private equities) over the 12 month period. Further detail on investment performance is available in the regular monitoring reports.

- Total contributions received from employers and employees were £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 is in a positive cash-flow position because its contributions exceed its outgoings to members.

3.4 The Brent Pension Fund is administered by Brent Council and the pension fund's accounts form part of the Council's financial statements. Therefore, formal approval of the pension fund accounts rests with the Council's Audit and Standards Committee and the Pension Sub-Committee are presented with the accounts for noting.

3.5 The Audit and Standards Advisory Committee were presented with the audit plan for the 2021/22 accounts on 7 June 2022, this is attached to this report in Appendix 2. The external audit will commence once the main council accounts have been published.

3.6 Fund officers will now prepare the Pension Fund annual report which will be presented to the Committee at the next meeting.

4.0 Financial Implications

4.1 Not applicable.

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

<u>Report sign off:</u> ***Minesh Patel*** Director of Finance .

Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2022

2020/21 £m		Notes	2021/22 £m
	Dealings with members, employers and others directly involved in the fund		
(60.9)	Contributions	7	(64.1)
(5.9)	Transfers in from other pension funds	8	(6.8)
(66.8)			**(70.9)**
42.3	Benefits	9	46.8
5.3	Payments to and on account of leavers	10	5.9
47.6			**52.7**
(19.2)	**Net (additions)/withdrawals from dealings with members**		**(18.2)**
4.2	Management expenses	11	4.3
(15.0)	**Net (additions)/withdrawals including management expenses**		**(13.9)**
	Returns on investments		
(0.7)	Investment income	12	(1.1)
(176.1)	(Profits) and losses on disposal of investments and changes in the market value of investments	13	(88.1)
(176.8)	**Net return on investments**		**(89.2)**
(191.8)	**Net (increase)/decrease in the net assets available for benefits during the year**		(103.1)
(839.0)	**Opening net assets of the scheme**		**(1,030.7)**
(1,030.7)	**Closing net assets of the scheme**		**(1,133.8)**

Net Assets Statement

31 March 2021 £m		Notes	31 March 2022 £m
1,032.3	Investment assets	13	1,127.7
0.0		13	0.00
1,032.3			**1,127.7**
1.5	Current assets	19	8.6
0.0	Non-current assets		0.0
(3.1)	Current liabilities	20	(2.5)
1,030.7	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,133.8**

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2022 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 44 employer organisations with active members within the Brent Pension Fund at 31 March 2022, 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
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
Roundwood School and Community Centre
St Andrews and St Francis School
St Claudine's Catholic School for Girls
St Gregory's RC High School
St Margaret Clitherow
Sudbury Primary School
The Village School
Wembley High Technology College
Woodfield School Academy

Admitted bodies
Apleona HSG Ltd (previously Bilfinger Europa Facility Management Limited)
Barnardos
Caterlink
Conway Aecom
DB Services
Edwards and Blake
FM Conway
Local Employment Access Project (LEAP)
National Autistic Society (NAS)
Ricoh UK
Sudbury Neighbourhood Centre
Taylor Shaw
Veolia
Veolia (Ground Maintenance)

31-Mar-21	Brent Pension Fund	31-Mar-22
41	Number of employers with active members	44
	Number of employees in scheme	
4,457	Brent Council	4,399
1,928	Other employers	1,640
6,385	Total	6,039
	Number of pensioners	
6,157	Brent Council	6,210
703	Other employers	757
6,860	Total	6,967
	Deferred pensioners	
7,025	Brent Council	7,188
1,163	Other employers	1,280
8,188	Total	8,468

The decrease in number of active employee members in the scheme is primarily due to the Data Cleanse Project work conducted by the Fund's administration provider Local Pensions Partnership (LPP), which was started in the previous financial year (2020/21) and completed in 2021/22. The objective of this project was to review, cleanse and fix any errors identified in member data. The result of this Data Cleanse can partially be seen in the increase in deferred members.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. 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 2021/22, 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 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section o below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income
Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions' administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Net Assets Statement

h) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Contingent Assets

Admitted body employers in the Brent Pension Fund hold bonds to guard against .possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 24.

j) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

k) Derivatives

The Fund does not use derivative financial instruments to manage its exposure to specific risks arising from its investment activities in its own name. Neither does it hold derivatives for speculative purposes.

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 18).

o) Additional voluntary contributions

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 21).

4. Critical judgements in applying accounting policies

Unquoted private equity / infrastructure / private debt 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; infrastructure and private debt investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities; infrastructure and private debt investments at 31 March 2022 was £101m (£81m at 31 March 2021).

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 2022 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 £170m. 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 4% (c. £74m).

Private equity / infrastructure / private debt	Private equity/infrastructure/private debt 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/private debt investments in the financial statements are £101m. There is a risk that this investment may be under- or overstated in the accounts.
Effect of the war between Ukraine and Russia on investment valuations	In the immediate aftermath of the invasion, there were general falls in the financial markets with sanctions and other measures being implemented by the UK government and other governments around the world. Given the financial sanctions imposed by governments, it is extremely difficult to trade Russian, Ukrainian and Belarusian holdings. Therefore it is difficult to obtain a market price for such holdings and many investment managers have written down exposure.	The Fund's exposure to Russian, Ukrainian and Belarusian holdings consisted of a very small proportion of the Fund's overall assets. Prior to the invasion, these assets made up approximately 0.1% of the total value of the Fund.

6. Events after the Reporting Date

There have been no events since 31 March 2022, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions receivable

By category

	2020/21 £m	2021/22 £m
Employees' contributions	9.5	9.7
Employers' contributions:		
Normal contributions	47.4	49.9
Deficit recovery contributions	1.7	1.7
Augmentation contributions	2.3	2.8
Total employers' contributions	51.4	54.4
Total	**60.9**	**64.1**

By authority

	2020/21 £m	2021/22 £m
Administering Authority	47.8	50.7
Scheduled bodies	11.6	11.9
Admitted bodies	1.5	1.4
Total	**60.9**	**64.1**

8. Transfers in from other pension funds

	2020/21 £m	2021/22 £m
Individual transfers	5.9	6.8
Total	**5.9**	**6.8**

9. Benefits payable

By category

	2020/21 £m	2021/22 £m
Pensions	37.5	39.7
Commutation and lump sum retirement benefits	4.1	6.1
Lump sum death benefits	0.7	1.1
Total	**42.3**	**46.8**

By authority

	2020/21 £m	2021/22 £m
Administering Authority and Scheduled bodies	42.1	46.5
Admitted bodies	0.2	0.3
Total	**42.3**	**46.8**

10. Payments to and on account of leavers

	2020/21 £m	2021/22 £m
Refunds to members leaving service	0.3	0.2
Group transfers	0.0	0.0
Individual transfers	5.0	5.7
Total	**5.3**	**5.9**

11. *Management Expenses*

	2020/21	2021/22
	£m	£m
Administration costs	1.8	1.6
Investment management expenses	2.2	2.5
Oversight and Governance costs	0.2	0.2
Total	**4.2**	**4.3**

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 £33k (£32.8k 2020/21).

a) Investment management expenses

	2020/21	2021/22
	£m	£m
Management fees	2.1	2.4
Custody fees	0.1	0.1
One-off transaction costs	0.0	0.0
Total	**2.2**	**2.5**

Fund Manager	2021/22 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Alinda	0.2	0.2	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.1	0.1	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.1	0.1	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.0	0.0	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
Total	**2.5**	**2.4**	**0.1**	**0.0**

Fund Manager	2020/21 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.5	0.5	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Ruffer	0.4	0.4	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
Total	**2.2**	**2.1**	**0.1**	**0.0**

12. Investment income

	2020/21	2021/22
	£m	£m
Dividend income from private equities/infrastructure	0.4	0.4
Interest income from private equities/infrastructure/private debt	0.2	0.7
Interest on cash deposits	0.1	0.0
Total	**0.7**	**1.1**

13. Investments

13a. Investments 2021/22	Market value 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£m	£m	£m	£m	£m
Pooled investments	897.4	15.0	(1.7)	75.8	986.6
Pooled property investments	0.0	15.0	0.0	0.7	15.7
Private equity/infrastructure /private debt	81.1	37.8	(29.2)	11.6	101.3
	978.5	**67.8**	**(30.9)**	**88.1**	**1,103.6**
Other investment balances: Cash Deposit	53.8				24.1
Investment income due	0.0				0.0
Net investment assets	**1,032.3**				**1,127.7**

13a. Investments 2020/21	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**

14b. Analysis of investments by category

	31 March 2021 £'000	31 March 2022 £'000
Pooled funds - additional analysis		
UK		
Fixed income unit trust	42.8	43.7
Unit trusts	143.1	145.1
Diversified growth funds	221.5	232.5
Overseas		
Unit trusts	490.0	565.3
Total Pooled funds	897.4	986.6
Pooled property investments	0.0	15.7
Private equity/infrastructure/private debt	81.1	101.3
Total investments	**978.5**	**1,103.6**

14c. Analysis of investments by fund manager

31 March 2021 £m	%	Market Value **Fund manager**	31 March 2022 £m	%
501.1	51.2%	Legal & General	573.9	52.0%
0.2	0.0%	London CIV	0.2	0.0%
48.8	5.0%	JP Morgan	43.8	4.0%
46.2	4.7%	Capital Dynamics	36.2	3.3%
130.7	13.4%	LCIV - Baillie Gifford	135.1	12.2%
90.8	9.3%	LCIV - Ruffer	97.4	8.8%
42.8	4.4%	LCIV - MAC (CQS)	43.7	4.0%
11.8	1.2%	LCIV - Infrastructure	21.4	1.9%
0	0.0%	LCIV - Private Debt	20.3	1.8%
23.1	2.4%	Alinda	23.4	2.1%
0	0.0%	Fidelity UK Real Estate	15.7	1.4%
0	0.0%	Blackrock Low Carbon Global Equity	15.4	1.4%
83.0	8.5%	Blackrock	77.1	7.0%
978.5	**100.0%**		**1,103.6**	**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 2021	% of total fund	Market value 31 March 2022	% of total fund
L&G - Global Equities	441.2	39.1%	506.1	49.0%
L&G - UK Equities	59.9	5.3%	67.8	6.6%
Blackrock - Over 15 year Gilts	83	7.4%	77.1	7.5%
LCIV - Baillie Gifford DGF	130.7	11.6%	135.1	13.1%
LCIV - Ruffer DGF	90.8	8.1%	97.4	9.4%

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 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	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets				
Pooled investments		986.6		**986.6**
Pooled property investments		15.7		**15.7**
Private Equity/Infrastructure/Private Debt			101.3	**101.3**
Subtotal Financial assets at fair value through profit and loss	**0.0**	**1,002.3**	**101.3**	**1,103.6**
Cash	24.1			**24.1**
Investment Income due	0.0			**0.0**
Subtotal Loans and receivables	**24.1**	**0.0**	**0.0**	**24.1**
Total Financial assets	**24.1**	**1,002.3**	**101.3**	**1,127.7**
Financial liabilities				
Current liabilities	**(2.5)**			**(2.5)**
Subtotal Financial liabilities at amortised cost	**(2.5)**	**0.0**	**0.0**	**(2.5)**
Total Financial liabilities	**(2.5)**	**0.0**	**0.0**	**(2.5)**
Net Financial assets	**21.6**	**1,002.3**	**101.3**	**1,125.2**

Values at 31 March 2021	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets				
Pooled investments		897.4		**897.4**
Pooled property investments		0.0		**0.0**
Private Equity/Infrastructure/private debt			81.1	**81.1**
Subtotal Financial assets at fair value through profit and loss	**0.0**	**897**	**81.1**	**978.5**
Cash	53.8			**53.8**
Investment Income due	0.0			**0.0**
Subtotal 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				
Current liabilities	**(3.1)**			**(3.1)**
Subtotal 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**

14a. 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 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value of decrease
		£m	£m	£m
Private equity	32.6%	30.0	39.8	20.2
Infrastructure	15.2%	51.0	58.8	43.2
Private debt	12.9%	20.3	22.9	17.7

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 2021	81.1
Transfers into Level 3	0.0
Transfers out of Level 3	0.0
Purchases	37.8
Sales	(19.9)
Issues	0.0
Settlements	0.0
Unrealised gains/losses	11.6
Realised gains/losses	(9.3)
Value at 31 March 2022	101.3

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.

16. Classification of Financial Instruments

31 March 2021				**31 March 2022**		
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			
897.4			Pooled investments	986.6		
0			Pooled property investments	15.7		
81.1			Private equity/ infrastructure/private debt	101.3		
	53.8		Cash		24.1	
	1.5		Debtors		8.6	
978.5	**55.3**	**0.0**	**Total Financial assets**	**1,103.6**	**32.7**	**0.0**
			Financial liabilities			
		(3.1)	Creditors			(2.5)
0.0	**0.0**	**(3.1)**	**Total Financial liabilities**	**0.0**	**0.0**	**(2.5)**
978.5	**55.3**	**(3.1)**	**Net Financial assets**	**1,103.6**	**32.7**	**(2.5)**

16a. Net gains and losses on Financial Instruments

31 March 2021		31 March 2022
£'000		£'000
176.1	Fair value through profit and loss	88.1
176.1	**Total**	**88.1**

16b. 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 2021 Carrying Value	Fair Value		31 March 2022 Carrying Value	Fair Value
£'000	£'000		£'000	£'000
		Financial assets		
978.5	978.5	Fair value through profit and loss	1,103.6	1,103.6
55.3	55.3	Loans and receivables	32.7	32.7
1,033.8	**1,033.8**	**Total financial assets**	**1,136.3**	**1,136.3**
		Financial liabilities		
(3.1)	(3.1)	Financial liabilities at amortised cost	(2.5)	(2.5)
(3.1)	**(3.1)**	**Total financial liabilities**	**(2.5)**	**(2.5)**

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 2021/22 reporting period. (Based on data as at 31 March 2022 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Other price risk – sensitivity analysis

	31/03/2022 Value (£m)	**Potential market movements (+/-)**
Asset Type		
Bonds	77.1	9.3%
Equities	633.3	21.1%

Other Pooled investments	276.2	9.7%
Pooled Property investments	15.7	16.1%
Private Equity	30	32.6%
Infrastructure	51	15.2%
Private debt	20.3	12.9%

Had the market price of the fund investments increased/decreased by 1% the change in the net assets available to pay benefits in the market price would have been as follows:

Asset Type	31/03/2022 Value (£m)	Potential value on increase (£m)	Potential value on decrease (£m)
Bonds	77.1	84.3	69.9
Equities	633.3	766.9	499.7
Other Pooled investments	276.2	303.0	249.4
Pooled Property investments	15.7	18.2	13.2
Private Equity	30.0	39.8	20.2
Infrastructure	51.0	58.8	43.2
Private debt	20.3	22.9	17.7
Total	**1,103.6**	**1,293.9**	**913.3**

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 2021 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2021 £m	31 March 2022 £m
Cash balances	53.8	24.1
UK Fixed income unit trust	42.8	43.7
Total	**96.6**	**67.8**

Asset type	Carrying amount as at 31 March 2022	+1%	-1%

	£m		**£m**
Cash balances	24.1	0.2	(0.2)
UK Fixed income unit trust	43.7	0.4	(0.4)
Total	**67.8**	**0.7**	**(0.7)**

Asset type	Carrying amount as at 31 March 2021	+1%	-1%
	£'000	**£'000**	**£'000**
Cash balances	53.8	0.5	(0.5)
UK Fixed income unit trust	42.8	0.4	(0.4)
Total	**96.6**	**1.0**	**(1.0)**

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 2022 and as at the previous period end:

Currency risk exposure - asset type	Asset value at 31 March 2021	Asset value at 31 March 2022
	£m	**£m**
Overseas unit trusts	490.0	565.3
Overseas pooled property investments	0.0	0.0
Overseas private equity/infrastructure/private debt	81.1	101.3
Total	**571.1**	**666.6**

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 2022	+1%	-1%
	£'000	**£'000**	**£'000**
Overseas unit trusts	565.3	5.7	(5.7)
Overseas pooled property investments	0.0	0.0	0.0

Overseas private equity/infrastructure/private debt	101.3	1.0	(1.0)
Total	**666.6**	**6.7**	**(6.7)**

Assets exposed to currency rate risk	**Asset value as at 31 March 2021**	**+1%**	**-1%**
	£'000	**£'000**	**£'000**
Overseas unit trusts	490.0	4.9	(4.9)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	81.1	0.8	(0.8)
Total	**571.1**	**5.7**	**(5.7)**

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 2022 was £24.1m (31 March 2021: £53.8m). This was held with the following institutions:

Credit risk exposure	**Rating**	**Balances at 31 March 2021**	**Balances at 31 March 2022**
		£m	**£m**
Bank deposit accounts			
NatWest	A	0.9	0.9
Northern Trust - Aviva Cash		0.1	0.1
Money Market deposits	AAA	52.8	23.1
Other short-term lending			
Local authorities		0.0	0.0

Total	**53.8**	**24.1**

b) 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 2022 the value of illiquid assets was £117.0m, which represented 10.4% (31 March 2021: £81.1m, which represented 7.9%) 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 2022 are due within one year."

Liquidity Risk

	31-Mar-21	%	31-Mar-22	%
Pooled investments	897.4	86.9%	986.6	87.5%
Cash deposits	53.8	5.2%	24.1	2.1%
Investment income due	0	0.0%	0	0.0%
Total liquid investments	**951.2**	**92.1%**	**1,010.7**	**89.6%**
Pooled property investments	-	0.0%	15.7	1.4%
Private Equity/ Infrastructure/private debt	81.1	7.9%	101.3	9.0%
Total illiquid investments	**81.1**	**7.9%**	**117.0**	**10.4%**
Total investments	**1,032.3**	**100.0%**	**1,127.7**	**100.0%**

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 and results are scheduled to be released by 31 March 2023.

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
2020/21	35.0%
2021/22	35.0%
2022/23	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 17). The Actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2022 was £1,838m (31 March 2021: £1,917m). 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	3.20%
Salary increase rate	3.50%
Discount rate	2.70%

Longevity assumption

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

	Males	Females
Current pensioners	22.1 years	24.5 years
Future pensioners*	23.2 years	26.0 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 2022	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	10%	160
0.5% p.a. increase in the Salary Increase Rate	1%	10
0.5% p.a. decrease in the discount rate	10%	170

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1 year increase in life expectancy would approximately increase the liabilities by around 4% (c. £74m).

19. Assets

a) Current assets

	31 March 2021 £m	31 March 2022 £m
Debtors:		
- Contributions due – employees	0.2	0.2
- Contributions due – employers	0.7	0.9
- Sundry debtors	0.6	7.5
Total	**1.5**	**8.6**

Analysis of debtors

	31 March 2021	31 March 2022
	£m	£m
- Central government bodies	0.6	0.8
- Other local authorities	0.9	6.1
- Other entities and individuals	0.0	1.7
Total	**1.5**	**8.6**

20. Current liabilities

	31 March 2021	31 March 2022
	£m	£m
Group transfers	0.0	0.0
Sundry creditors	3.1	2.5
	3.1	**2.5**

Analysis of creditors

	31 March 2021	31 March 2022
	£m	£m
Central government bodies	0.0	1.0
Other entities and individuals	3.1	1.5
Total	**3.1**	**2.5**

21. Additional voluntary contributions

	Market value 31 March 2021	Market value 31 March 2022
	£m	£m
Clerical Medical	1.3	1.3
Equitable Life	0.2	0.2
Prudential	0.6	0.7
	2.1	**2.2**

	Contributions 31 March 2021	Contributions 31 March 2022
	£m	£m
Clerical Medical	0.0	0.0
Prudential	0.1	0.1
	0.1	**0.1**

*Clerical medical data is not available at the publication date.

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 £1.24m (2020/21: £1.12m) 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 £41.0m to the Fund in 2021/22 (2020/21: £37.3m).

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 Finance (s.151 officer), the Director of Legal & HR 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 2021 £m	31st March 2022 £m
Short Term Benefits	0.038	0.040
Post-Employment Benefits	0.012	0.012
Termination Benefits	0.000	0.000
Total Remunerations	**0.050**	**0.052**

23. Contingent liabilities

Outstanding capital commitments (investments) at 31 March 2022 totalled £82.1m (31 March 2021 £58.4m)

	31st March 2021	31st March 2022
	£m	**£m**
Capital Dynamics	12.6	12.9
Alinda Fund II	2.5	2.5
Alinda Fund III	5.7	8.1
London CIV Infrastructure Fund	37.6	28.9
London CIV Private Debt Fund	n/a	29.7
Total	**58.4**	**82.1**

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. Both admission agreements ended during the year 2021/22.

	31st March 2021	31st March 2022
	£m	**£m**
Apleona HSG Limited (previously Bilfinger)	0.1	0.0
Conway Aecom	0.1	0.0
Total	**0.2**	**0.0**

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Grant Thornton

External audit plan

Year ending 31 March 2022

London Borough of Brent Pension Fund

May 2022

Contents

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

Key matters

Factors

Pension Fund

The investment assets have continued to rise throughout 2021-22 and the Fund has posted positive returns ending Quarter 3 of 2021-22 with a valuation of £1,155.7m. This was £1,030.7m as at 31 March 2021 and £1,076.2m at the end of Quarter 2 of 2021-22.

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes. The McCloud remedy will be implemented in two phases that will impact the 2022-23 financial year.

Russian investments

Following the Russian invasion of Ukraine that has led to the UK Government sanctions, Local Government Pension scheme funds are being advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken. The Moscow Stock Exchange closed on February 28 2022 and an apparent ban on western companies from selling Russian investments was imposed by prime minister Mikhail Mishustin has compounded investors' liquidity problems, with markets for Russian stocks and government bonds drying up.

Members as the Funds Trustees are expected to uphold their fiduciary duties, prioritising scheme returns and the proper payment of pensions. However, Members are allowed to consider ethical factors concerning investments, and can divest from problematic assets provided that this does not prove materially detrimental to the scheme. The Pensions Regulator has asked all schemes to ensure that their investments are aligned with the UK government's sanctions on Russia.

New system implementation – Oracle Cloud Fusion

In October 2021, the Oracle Cloud Fusion system replaced the Council's Oracle EBS system used for financial, payroll and HR transactions.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you with sector updates via our Audit & Standards Committee updates.

- We will review the funds response to any exposure in Russian investments.

- We identified a significant audit risk relating to [the data migration to the new ledger - refer to page 7. Our IT auditors will review the Pension Fund's process for ensuring the data migration was complete and accurate.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of London Borough of Brent Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Standards committee).

The audit of the financial statements does not relieve management or the Audit $ Standards Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Level 3 Investments
- New finance system implementation

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £10.31m (PY £10.3m) for the Pension Fund, which equates to 1% of your prior year net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.5m (PY £0.5m).

Audit logistics

Our interim visit took place in March 2022 and our final visit will take place between July and September 2022 Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach and logistics are detailed in Pages 5 to 14.

Our fee for the audit will be £33,000 (PY: £33,000) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: - there is little incentive to manipulate revenue recognition - opportunities to manipulate revenue recognition are very limited - the culture and ethical frameworks of local authorities, including London Borough of Brent Council and Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for London Borough of Brent Pension Fund.	Significant risk rebutted
Fraudulent expenditure recognition	We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We are satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as: - the control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong - we have not found significant issues, errors or fraud in expenditure recognition in the prior years audits - our view is that, similarly to revenue, there is little incentive to manipulate expenditure recognition Therefore, we do not consider this to be a significant risk for London Borough of Brent Pension Fund.	Significant risk rebutted

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management Override of Controls	Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of Level 3 Investments	You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £81m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We will: • evaluate management's processes for valuing Level 3 investments; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
New system implementation	In October 2021, the Oracle Cloud Fusion system replaced the Pension Fund's Oracle EBS system used for financial, payroll and HR transactions. Data migration is fundamental to any business technology transformation and there is a risk of error when data is moved from one system to another. New systems are often evolving and present a greater risk material misstatements. Given the nature of this transition, we have identified a risk of material misstatement in relation to the system migration, at financial statements level.	Work planned: • Our IT auditors will perform an assessment of the Council's processes and controls used as part of the transitioning from Oracle EBS to Oracle Cloud Fusion during the audit period. • We will perform detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance. • Evaluate the design and implementation of controls management put in place to ensure balances at month six were moved correctly to month seven are complete and accurate. • Reconcile opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures which* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

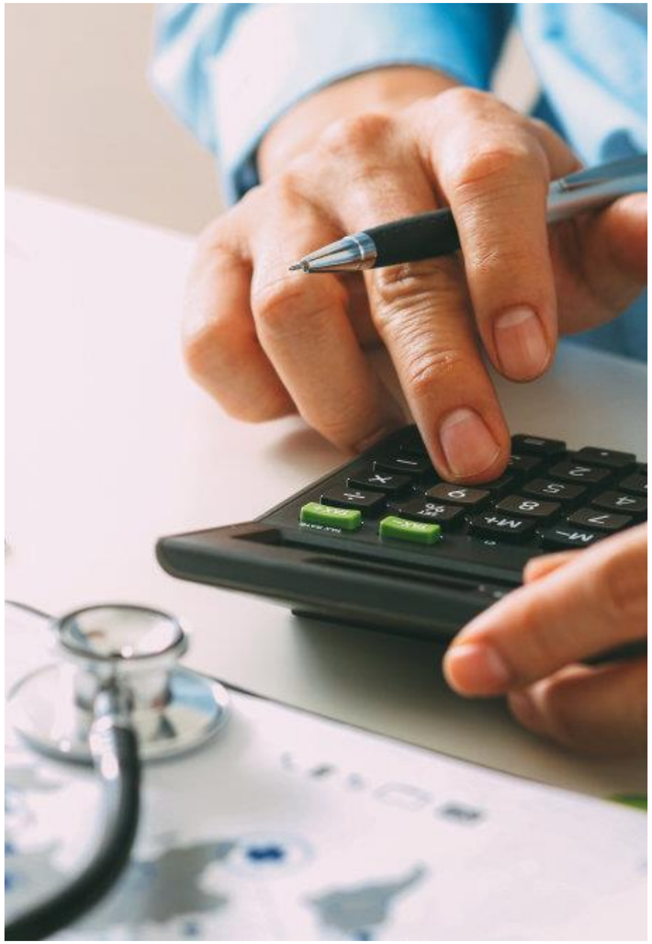
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit $ Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of level 2 and level 3 investments
- Valuation of the Present Value of Future Retirement Benefits

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

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When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainly is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have requested that management provides detail as to how the Pension Fund addresses estimation uncertainty, and to share its responses with TCWG for consideration. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

Other matters

Other work

The Pension Fund is administered by London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £10.31m (PY £10.3m), which equates to 1% of your prior year net assets as at 31 March 2022.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

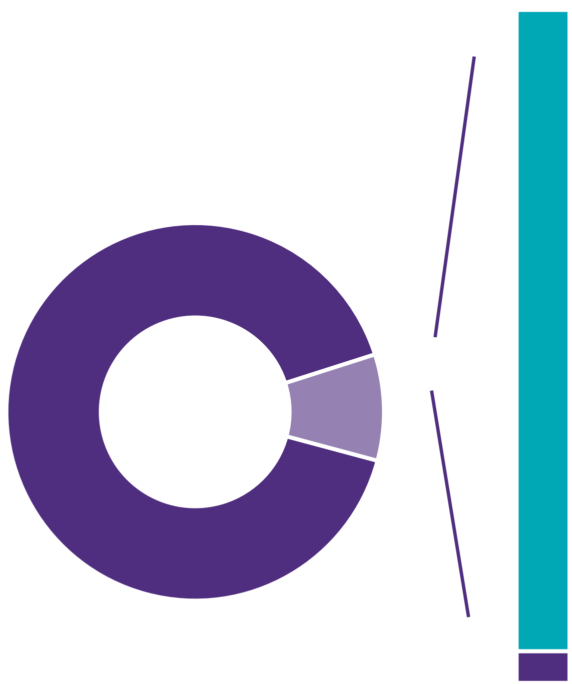
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.515m (PY £0.515m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Committee to assist it in fulfilling its governance responsibilities.

Prior year net assets

£1,030.7m Pension Fund



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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

For this year's audit we have completed system documentation, and walkthroughs where relevant, for each of the Council's material systems both pre and post-Oracle Cloud Fusion implementation. Our IT audit team has completed work to review the processes and controls around the transition, complete ITGC review of Oracle Cloud Fusion, and review of reconciliations of all key systems between Oracle EBS and Oracle Cloud Fusion. During the financial statements audit the audit team will reconcile audit trails from both systems to the financial statements and we will conduct our testing on the full financial year's transactions requiring sampling from both Oracle EBS and Oracle Cloud Fusion.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting and integrated systems (accounts payable, accounts receivable and fixed assets)	IT audit work performed in respect of the 31 March 2021 year end will be rolled forward for the period 1 April to 14 October 2021.
LPPA - Altair	Pension Administration	Streamlined ITGC assessment

In addition, due to the significant changes during the period, specifically the new system implementation, additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
Oracle Cloud Fusion	New system implementation	Post migration data completeness and accuracy.	• Perform an assessment of the Pension Fund's processes and controls used as part of the transitioning from Oracle EBS to Oracle Cloud Fusion during the audit period. • Perform detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance. • Evaluate the design and implementation of controls management put in place to ensure balances at month six were moved correctly to month seven are complete and accurate. • Reconcile opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets.

Audit logistics and team

Planning and risk assessment
March

Audit & Standards Committee
June

Audit Plan

Year end audit
July - September

Audit & Standards Committee
September

Audit Findings Report/Draft Auditor's Annual Report

Audit opinion

Audit & Standards Committee
TBC

Auditor's Annual Report

Ciaran McLaughlin, Key Audit Partner

Ciaran is the Engagement Lead, for the Council and Pension Fund, leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior officers.

Reshma Ravikumar, Audit Manager

Reshma will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Reshma will attend Audit & Standards Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.

Abisoye Ilaka, Audit In-Charge

Abisoye will lead the audit team and is the day-to- day contact for the audit. She will monitor the deliverables, manage the audit query log with your Finance Team and highlight any significant issues and adjustments to senior management in a timely manner.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

Audit fees

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In 2017, PSAA awarded a contract of audit for the London Borough of Brent to begin with effect from 2018/19. The fee agreed in the contract was £16,170. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 8 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2021/22, as set out below, has been agreed with the Director of Finance.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Brent Pension Fund Audit	£28,750	£33,000	£35,308
New system implementation	n/a	n/a	£2,500
Total audit fees (excluding VAT)	£28,750	£33,000	£37,808

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

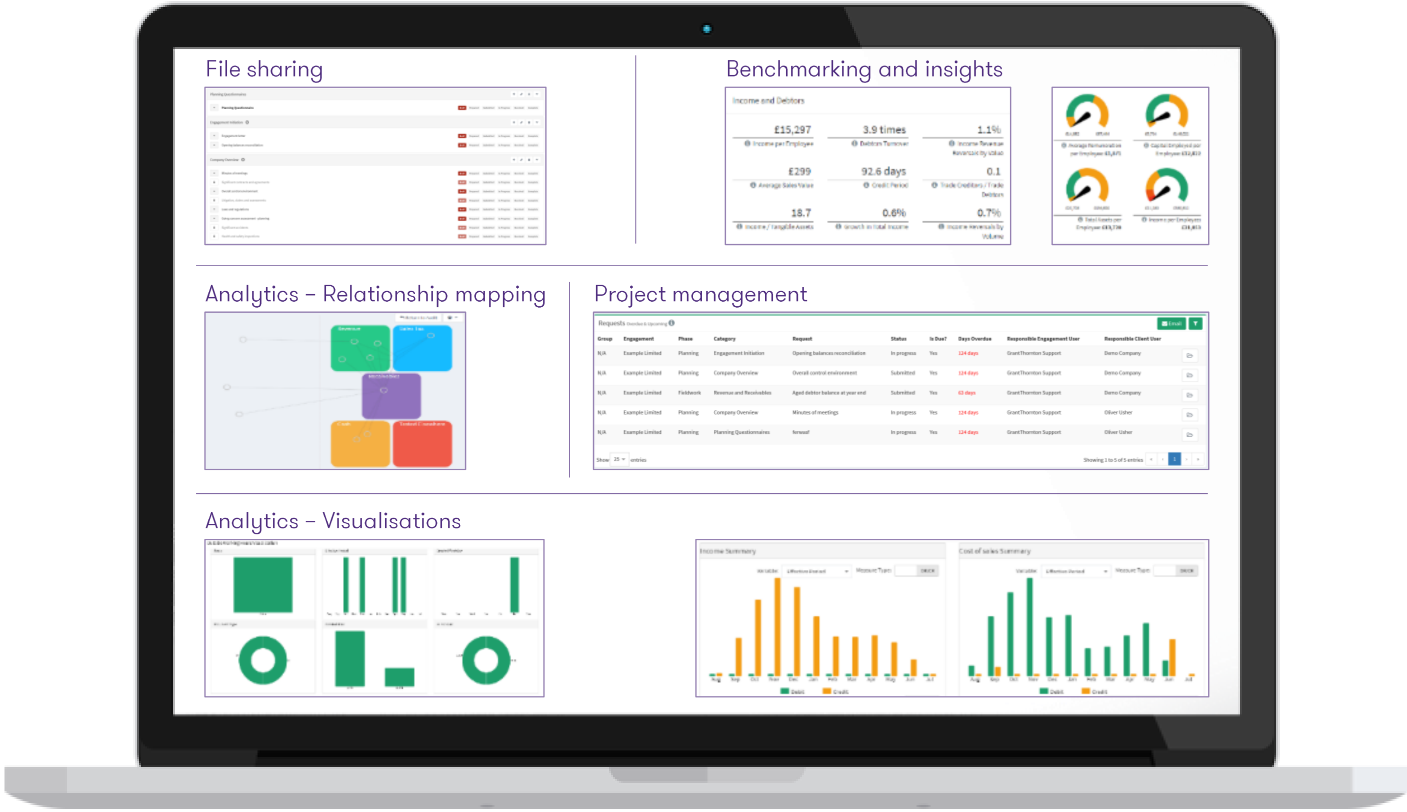
No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data

File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work

Project management

- Facilitates oversight of requests
- Access to a live request list at all times

Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

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Brent	**Pensions Fund Sub-Committee** 27 June 2022
	Report from the Chief Finance Officer
2022 Triennial Valuation	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	None
Related documents:	▪ Actuarial Assumptions – Report to Pensions Fund Sub-Committee 21 February 2022
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Director of Finance 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Flora Osiyemi, Head of Finance 020 8937 2998 Flora.Osiyemi@brent.gov.uk Sawan Shah, Senior Finance Analyst 020 8937 1955 Sawan.Shah@brent.gov.uk

1.0 Purpose of the Report

1.1 The purpose of this report is to update the committee on the 2022 Pension Fund Valuation.

2.0 Recommendation(s)

2.1 The Committee is asked to note the report.

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.

3.2 Its purpose is to:

- Compare actual experience against assumptions made at the last valuation;
- Value the assets and liabilities of each individual employer and the pension fund as a whole using data from the Fund's administration system and financial records;
- Set employer contribution rates, including for the Council, for the next 3 years (1 April 2023 to 31 March 2026);
- Review the Funding Strategy Statement (FSS);
- Perform a health check on the Fund's solvency.

3.3 The last valuation took place as at 31 March 2019 and the next one is to be carried out as at 31 March 2022. The results of each valuation must be reported to the administering authority within twelve months of the valuation date.

3.4 The actuary calculates the funding level at each valuation. This is calculated as the ratio of the market value of the assets and the value of the benefits built up to the valuation date for the employees and ex-employees. If this is less than 100% then it means there is a shortfall, therefore there is a deficit; if it is more than 100% then there is said to be a surplus. The previous valuation showed that the Brent Pension Fund overall had a funding position of 78%.

3.5 The key governance document for the valuation is the Fund's Funding Strategy Statement (FSS). The FSS sets out the underlying assumptions and principles that are adopted when valuing the Fund's liabilities and setting contribution rates. The FSS also addresses the fact that different employers within the fund have different objectives and it includes deficit recovery periods for different employers. The FSS is normally reviewed during the valuation process in consultation with the Fund actuary and employers.

3.6 The 2022 valuation process has commenced, below is an indicative timeline for the valuation process:

Date	Event
21 February 2022	Sub-committee meeting - Report to Pensions Sub-committee to review and agree key valuation assumptions
31 March 2022	Valuation date.
April 2022	Council contribution rate (comPASS) modelling.
April – May 2022	Employers submit their year-end returns.
June 2022	Resolve all queries arising from the year-end returns
July 2022	Provision of data to the Fund actuary by LPPA on behalf of the scheme manager.
August 2022	Data validations, responding to data queries and Fund actuary sign off for data.
August – September 2022	Whole fund results prepared and discussed with officers.
05 October 2022	Sub-committee meeting - Provision of initial whole fund results, Council contribution rate modelling results and employer contribution strategy proposal (draft FSS).
October 2022	Issue employer results together with draft Funding Strategy Statement for formal consultation.
December 2022 – January 2023	Finalise Funding Strategy Statement following consultation.
20 February 2023	Sub-committee meeting - Sign off 2022 valuation report and FSS.
31 March 2023	Sign off rates and adjustments certificate with final employer contribution rates.
01 April 2023	Implementation of new FSS and contribution rates.

3.7 At the February 2022 committee meeting, as part of best practice, the key financial and demographic assumptions that will be used in the 2022 valuation process were reviewed and agreed:

- The discount rate – used to value liabilities to be paid out in the future;
- Future investment returns - this is the interest rate we can assume to achieve in the future;
- Future price inflation (CPI);
- Salary expectations;
- How long pensions will be paid for (longevity);
- Other demographic assumptions.

The overall valuation outcome is sensitive to the financial and demographic assumptions made and therefore can affect the Fund’s overall or an individual employer’s funding level.

3.8 Brent Council, in its role as the administering authority, will be assisting employers through this process. Support will be provided in the form of employer forums and training. The Fund will consult with employers through the valuation process and the draft employer results and FSS will be issued for formal consultation. This is currently anticipated for early October 2022. The Fund will also hold an employer forum in autumn 2022 following issue of the draft employer results and FSS. There will also be the opportunity to arrange 1-1 meetings with the actuary and Brent officers.

3.9 Complete and accurate membership data is critical in ensuring the valuation results are accurate. If the Fund actuary is concerned about the quality of the underlying data, they will usually add a margin of prudence into their assumptions to accommodate data inaccuracies. The Fund has commissioned several data cleanse projects to improve the data quality in recent years. The results of these projects have been reported to previous Pension Sub-committee and Pension Board meetings.

3.10 The valuation process will be completed by 31 March 2023 with new contribution rates payable by employers from 1 April 2023.

4.0 Financial Implications

4.1 These are discussed throughout the report.

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

Brent

MINUTES OF THE PENSION BOARD
Held as an online meeting on Thursday 24 March 2022 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).

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 – 02 November 2021**

The minutes of the previous meeting held on Thursday 2nd November 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 October – December 2021, as detailed within Appendix 1 of the report.
- The percentage of cases processed on time had remained high with a quarterly average of 99.1%. This was above the 98% target.
- An update was then provided to the Board regarding Helpdesk call performance. The Fund had 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 number of complaints remained low, and the Fund's data scores improved over the period.
- In relation to the data cleanse project carried out by the Fund, Members were reminded that the Fund had previously commissioned a separate project to review and resolve outstanding leaver queries. Additionally, the

work commissioned regarding the Guaranteed Minimum Pensions (GMP) reconciliations projected was also highlighted, with the Board updated that both work streams were now coming to a close. The data cleanse project was concluded on 22 February 2022, with 88% of cases within its scope being completed. The remainder of cases would be completed as part of the year end process. At the closure of the GMP project on 03 February 2022, all 1,448 cases had been reviewed and actioned with remedial action taken where required.

- The Board then received an update on the re-enrolment process. Members were notified that every three years every employer had a duty to assess and reenrol staff who had left workplace pension schemes. The intention of this process was to ensure staff were aware that when they opted out of the scheme, they were potentially losing out on benefits in retirement, as well as ensuring automatic enrolment onto the scheme. A full breakdown of the statistics on reenrolment was provided in section 7.5 of the report.
- The Board were provided with an update on the LGPS bulletins issued since the last Pension Board meeting, which had been included as appendices to the report. The Board's attention was drawn to a Government white paper, which had suggested that there was an intention for 5% of LGPS assets to be invested in local projects. Further detail was being sought as to what this would mean in practice.
- Members noted that the minimum pension age would increase from 55 to 57, effective from 2028.

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 October – December 21, which had been published with the agenda pack. The Board noted the detailed performance updates provided in relation to the Leavers and Data Cleanse projects. In addition, it was updated that the total number of ongoing cases in the workflow systems had reduced significantly during the quarter, from 1110 to 150 cases. Historical cases were aiming to be addressed in preparation for the migration over to the new Pensions Administration system.

Moving on to help desk performance, it was noted that the satisfaction scores from people interacting with the help desk were generally above the 85% target. There had also been a steady increase in the number of Members who had registered for the My Pension Online service, an increase from 3240 to 3383. Moving on to discuss the data scores, it was highlighted that the common data score stood at 95.6%, compared to January 2020 when it was 94%. The majority of data errors were due to deferred members, with whom contact had been lost. Work was ongoing to attempt to trace these members and ensure they were registered with My Pension Online. Moving on to the conditional data score, it was highlighted that this currently stood at 85.2%. This was compared to a figure of 59% in January 2020, showing significant improvement. There were opportunities to improve this score, which would be built upon at the beginning of the next financial year. This work would involve housekeeping, and potentially further work on data cleanse projects.

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.

John Crowhurst updated that since the last update, the system had gone live. This included 3 LGPS Funds, comprising of 58,000 members. Alongside other launches, there were around 300,000 members on the new system, which amounted to around half of the membership that services were provided to. Over 100 operational staff had been trained in using the new system, including staff processing casework, payroll experts and help desk advisors. This number would increase as part of the phase 2 go live process, of which Brent were a part. From a member perspective, it was updated there was a new member portal called pension point, which had 12,000 members enrolled and actively using since the system had gone live. It was noted that whilst some features of the new system were available from day one, functionality would gradually be increased as the system was rolled out further.

Focusing on the Brent launch of the new system, it was clarified that there were checks and balances in place to ensure the launch was successful. This included things such as successful data migration, and ensuring that data integrity was maintained. There were also ongoing tests to ensure that the system performance was stable and that multiple users were able to access the site simultaneously.

In terms of lessons learned from the go live process, it was updated that the processing of images from member records had taken longer than anticipated. Since then, the images had been uploaded prior to the go live date. The second lesson was highlighted as ensuring that users could log in a few days prior to the go live date to ensure that they had full access from day one.

Finally, John Crowhurst addressed the fact that help desk wait times had increased. Since the go live date, members had been waiting for up to 15 minutes to speak to staff. As a result, further staff had been deployed to work on the help desk, as well as a dedicated line for queries regarding the new member portal. As a result, wait times had reduced to 10 minutes, and the wait times would continue to be monitored.

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

- It was noted that Brent Officers were continuously monitoring the progress of Project PACE, and were pleased with the progress currently made by LPP.
- It was asked how secure the new system was from cyber-attacks, and it was clarified that penetration tests had been carried out on the security of the system prior to going live, and that there had been no concerns raised as part of this.
- The go live date for phase 2 clients (including Brent), would be communicated with Officers in due course.

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. **Risk Register**

Rubia Jalil (Brent Council - 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:

- There had been two key risks added to the Risk Register, related to data migration from Altair into Civica UPM undertaken by LPP and a second risk to capture the impact of the exposure of the Brent Pension Fund to Russian, Ukrainian and Belarusian assets. The risk in relation to data migration had been categorised as low to medium, whilst the exposure to Russian, Ukrainian and Belarusian assets. This was detailed in sections 3.5 and 3.6 of the report.
- The Board were also updated that the risk of Covid-19 had been decreased from medium-high to low-medium, due to fewer variants being reported in recent months.

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

- It was asked whether the issue of cyber security was covered in the risk register, and it was clarified that this was the case.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the report including the key changes set out in section 3.5.

7. **London Borough of Brent Pension Fund – Q3 2021 Investment Monitoring Report**

The Board received the Brent Pension Fund Q3 2021 Investment Monitoring Report. It was reported that the monitoring report had been considered in detail by the Brent Pension Fund Sub Committee on 21 February 2021 who had noted the key issues as set out in the report.

In considering the report, the Board noted the following:

- The Fund had added £80m to its portfolio over this period, representing a combined return against assets of 6% (ahead of the benchmark return of 5.1%).
- The main driver of returns were the Fund's growth holdings with LGIM's global equity mandate the primary contributor in monetary terms and the Global and Private Equity Funds also performing well. Within the Fund's

Income holdings the Baillie Gifford multi-asset fund had also produced strong performance.

- Emerging market equities were noted as delivering a lower rate of return, as well as the Capital Dynamics Infrastructure Fund and Alinda Infrastructure Fund, although it was noted these had not had a significant bearing on the Fund overall, totalling 0.5% of the Fund's assets.

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

- As a starting point the Fund was reporting in line with information produced by its Pool, the London CIV. The Fund would, however, seek to evolve its climate risk monitoring process by monitoring against further metrics. Key metrics were currently focussed around weighted average carbon intensity and Fossil Fuel exposure with the information covered capturing approx. 88% of the Fund's assets, as at 31 December 21. Members were assured this provided an accurate and reliable level of data.
- Having noted the relative carbon intensity for each Fund as a % of assets members were advised that despite representing only 15% of Fund assets the Baillie Gifford Diversified Growth fund was responsible for 29% of the Fund's total carbon intensity. Whilst the LGIM Global Equity Fund represented the highest % of carbon intensity (42%) it was also recognised that this represented 53% of the Fund's assets. Focussing on these areas, members were advised of the specific investment profile relating to the Diversified Growth Fund, which had impacted on their carbon intensity rating including investment in the German energy company RWE. It was noted that as part of the London CIV, progress would continue to be monitored in terms of the carbon intensity of that fund.
- In terms of fossil fuel exposure, it was updated that the Fund had a 6.2% exposure to fossil fuels, in comparison to the global average of 7.3%, meaning that the Brent Fund was lower than the global average, though the Fund was still looking to decrease this level further.

Members were then updated on the impact that the conflict in Ukraine could have on the Fund. The Fund had reviewed its exposure to assets in Russia, Belarus and Ukraine, and it was noted that the Fund only had small exposure to those regions, both in the number of holdings, as well as monetary value. It was acknowledged that values of the Fund's assets had dipped since the publication of the report, though the early signs were positive for March and the year-end position. Members were reminded that the Fund held a well-diversified portfolio, which was vital in mitigating against unexpected global events.

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

8. **Net Zero Transition Roadmap Update**

The Board received the report providing an update on progress against the Fund's net zero transition roadmap, as detailed within the progress update included as Appendix 1 to the report. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 21 February 2022, who had noted the current position and progress made in the Roadmap. It was noted that as part of this agenda item, the Sub-Committee had agreed in principle the climate metrics for the Fund going forward, as well as next steps on the roadmap, which included increased reporting on carbon exposure.

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

9. **Actuarial Assumptions (Summary)**

The Board received a report which provided an update on the 2022 valuation process, in particular on the key financial and demographic assumptions that had driven the overall funding level and employer contribution rates. The Board noted the inclusion of a more detail paper included for consideration as an exempt item.

The Board noted that both the Sub-Committee and the Pension Board had received training on this subject prior to the Committee meeting in February, and that Officers had reviewed these assumptions in detail with the actuary.

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

10. **Pension Fund Annual Report 2020-21**

The Board received report which set out the final version of the Pension Fund Annual Report for the year ended 31 March 2021, following the conclusion of the external audit.. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 21 February 2022.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note and approve the contents of the Brent Pension Fund Annual Report 2020/21. The Board also thanked Officers for their work in being one of the first local authority pension funds audited by Grant Thornton to have their annual report review completed.

11. **Procurement of Actuarial, Custodian and Investment Management Consultancy Services**

The Board received a report which summarised the outcome of the Actuarial Services tender and sought authority to procure a contract for Custodian Services and Investment Management Services. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 21 February 2022

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the report and to note the re-appointment of Hymans Robertson LLP as actuary for the Brent Pension Fund.

12. **LAPFF Engagement Report**

The Board received a report providing an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 21 February 2022.

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

13. **Any other urgent business**

None.

14. **Date of Next Meeting**

NOTED that dates scheduled for future meetings of the Pension Board would be agreed by Full Council as part of the 2022/23 calendar year of meetings.

15. **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.

16. **London CIV Update**

The Board received a report, which provided the latest update on recent developments regarding the Brent Pension Fund Investments held within the London CIV (LCIV). It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 21 February 2022, who had noted the current position and progress made in the Roadmap. The update included the LCIV Investment review for the period ending 31 December 21 (as detailed in 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 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.

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

17. **Actuarial Assumptions (Full Report)**

The Board noted that this item had been addressed in the public section of the meeting.

The meeting closed at 7.30 pm

MR. D EWART
Independent Chair

Agenda Item 13

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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