



Pension Board

Wednesday 9 November 2022 at 6.00 pm

This will be held as an online virtual meeting

Membership:

Members

David Ewart

Representing

Independent Chair

Councillor Members

Councillor Kabir

Councillor Akram

Brent Employer representative

Brent Employer representative

Co-opted Members

Bola George

Sunil Gandhi

Chris Bala

Robert Wheeler

Member representative (Unison)

Employer Member (Non-Brent Council)

Pension Scheme Member Representative

Member representative (GMB Trade Union)

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

www.brent.gov.uk/committees

The press and public are welcome to attend part of the Board as an on online virtual meeting. The link to attend and view proceedings is available [HERE](#)

Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

****Personal Interests:**

The business relates to or affects:

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

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

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

or

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

- You yourself;

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

Agenda

Introductions, if appropriate.

Item	Page
1 Apologies for absence	
2 Declarations of interests	
Members are invited to declare at this stage of the meeting, any relevant personal or disclosable pecuniary interests in any matter to be considered at this meeting.	
3 Minutes of the previous meeting	1 - 8
To approve the minutes of the previous meeting held on Monday 25 July 2022 as a correct record.	
4 Matters arising (if any)	
Board Reports	
5 Pensions Administration Update	9 - 54
To update the Pension Board on various pension administration matters as part of its remit to oversee the administration of the Brent Pension Fund.	
6 Brent Risk Register	55 - 72
This report presents the updated Risk Register for the Brent Pension Fund Pensions Administration Service.	
7 LGPS Update	73 - 138
The purpose of this report is to update the committee on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.	
Reports Referred from the Brent Pension Fund Sub-Committee	
8 Quarterly Investment Monitoring Update Report - Q2 2022	139 - 152

To receive the Brent Pension Fund Q2 2022 Investment Monitoring Report.

9 Net Zero Roadmap Update and Responsible Investment Policy 153 - 168

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

10 Brent Pension Fund: Annual Report and Accounts 2021/22 169 - 370

To receive the draft Pension Fund Annual Report and audited Annual Accounts for the year ended 31 March 2022.

11 2022 Valuation - Funding Strategy Statement Update 371 - 424

This report provides an update from the Fund Actuary to highlight the key changes being considered for the 2022 Funding Strategy Statement (FSS) review.

12 Any other urgent business

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

13 Exclusion of Press and Public

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

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

14 2022 Valuation - Whole Fund Results 425 - 460

To receive an update on the 2022 valuation – whole fund results.

15 2022 Valuation - Employer Contribution Strategy 461 - 506

This report presents analysis from the Fund's actuary regarding the contribution rate strategy for the Council for the 3 years from 1 April 2023.

16 London CIV Update 507 - 606

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 22 March 2023

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MINUTES OF THE PENSION BOARD **Held as an online meeting on Monday 25 July 2022 at 6.00 pm**

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

ALSO PRESENT (in remote attendance): Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources & Reform)

1. Apologies for absence

None.

2. Declarations of interests

None.

3. Minutes of the previous meeting – 24 March 2022

The minutes of the previous meeting held on Thursday 24th March 2022 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 Q4 monitoring period January – March 2022, as detailed within Appendix 1 of the report.
- That whilst the quarterly average percentage of cases processed on time (95.9%) had been below the Service Level Agreement target (98%) this reflected revised targets agreed with the Fund during the Universal Pension Management (UPM) system migration.
- The slippage in Helpdesk call performance wait times during the same period which also reflected the migration to the new pension administration system and measures being taken to train additional Helpdesk advisors.
- The number of complaints remained low with 8 cases received since the last update.
- The Pension Regulator scores achieved in relation to the accuracy of common and conditional data had improved further since the previous quarter.

John Crowhurst (Operations Director, LPP, who provide the Pension Administration Servicer for the Fund) 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 progress with the introduction of the new pension system administration system and migration to Universal Pensions Management (UPM) the Board was advised that Phase I of the process had been successfully completed with nine out of 18 LLP clients having 'gone live'. The plans for Phase II of the migration had now been agreed for all remaining clients between October – December 22. This would include Brent, who were due to go live in November 2022. The new Member Portal 'Pension Point' and Employer Portal were now live, with 40,000 members having successfully registered for Pension Point. Data migration had also been fully reconciled. In terms of Brent's migration, LPP were continuing to provide regular monthly updates designed to ensure successful transfer of administrative system as well as further detailed engagement with members and employers in order to support the transition to the new system.

From a casework performance perspective, the Board noted the detailed breakdown provided within the quarterly monitoring update as detailed in Appendix 1 of the report. This reflected the adjustment in relation to "business as usual" as a result of the ongoing system migration accompanied by a short blackout period, and need for additional staff training and higher numbers of hyper care issues post go-live.

In terms of help desk performance, whilst the slippage in performance was recognised during the current monitoring period the Board noted that as a result of the action taken to recruit and train additional helpdesk advisers and appoint an additional helpdesk training resource it had been possible to improve performance with average wait times in June at approx.5 minutes (recognised as the lowest since the beginning of the new pension system migration process) and response times to web form enquiries at approx. 24-48 hours. It was, however, stressed that there would be further pressure on the service once Phase II of the system migration went live in the autumn, although it was felt that the experience gained during the initial migration Phase would assist to mitigate the impact in terms of performance.

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

- Regarding additional help desk staffing, clarification was sought as to whether this would be a temporary or permanent solution. In response the Board was advised that a dedicated trainer had been employed to upskill staff at a quicker rate, with that resource also available to be redeployed as required. In regards to the budget, it was updated that this resource would be considered as part of budget forecasting on a quarterly basis.
- Details were sought on when it was felt the new Universal Pension Management (UPM) system would be fully functional. In response the Board was advised of a development roadmap being prepared to assist in the roll out of further system functionality once the initial migration programme had been

completed. It was anticipated that the new system would be fully functional by May-June 2023.

- In response to a query regarding the engagement with schools as part of the migration programme, the Board was advised that (given the upcoming holiday period) the training and engagement programme had already commenced in order to ensure that functionality could be accessed as early as possible. This process had included short videos being made available to schools and other employers going forward, as well as use of the Employers Forum.
- In response to concerns identified regarding the increase in number of outstanding cases at the start of the Q4 monitoring period (1,210) the Board were advised that these would be expected to decrease once migration to the new pension system had been completed.
- Having noted the issues identified in relation to the availability of helpdesk advisors and impact on performance, further detail was sought on the challenges in terms of the recruitment and retention of staff by LPP. Whilst highlighting the difficulties in being able to recruit staff with specific Local Government Pension Scheme (LGPS) experience the Board were advised of the measures being taken to enhance training for staff in order to speed up the time from their recruitment to deployment with as flexible a resource available as possible.
- In noting the impact of the increase in call volume on helpdesk performance, the Board were advised that these had mostly related to the migration and deployment of the new pensions system, particularly in relation to initial issues experienced with the system access and authentication process. It was confirmed these had now been addressed in advance of the Phase II migration.
- Further details were also sought on the work being undertaken to focus on those issues generating the highest number of calls. As part of the performance monitoring process the Board was advised that these areas and trends were subject to ongoing review, in order to support the provision of additional guidance e.g. self-help explainer videos designed to support members with queries and assist in managing the overall levels of call volumes.
- In response to a final query, the Board were provided with an assurance that Project PACE (relating to migration of the new pension administration system) remained on track for the Brent Pension Fund with a go live date in November 2022. It was also noted that LPP would be providing a variety of different communication and training delivery methods to assist in rollout of the system.

As a final part of the performance update the Board was then provided with details on progress with the Annual Benefit Statement (ABS), which the scheme manager was required to issue to all eligible active and deferred members by 31 August each year.

As part of the update Sawan Shah advised that the updated position in relation to scheme employer submissions was that three employers, representing 3% of members in the Fund, were still to submit their end of year returns.

Whilst concerned at the delay in employers submitting their final returns, the Board recognised the work being undertaken between the Fund and LLP to closely

monitor the position and work with employers to ensure the prompt submission of these returns. Fund officers had sought to escalate concerns to senior management of the employers whose submissions were still outstanding and as a result these were anticipated in time to ensure the ABS could be issued within the required timescale.

Further issues raised by the Board in relation to the ABS update were as follows:

- With regards to the delay in employers submitting monthly returns, the Board were advised of the additional guidance already being provided for employers (including as part of the migration to the new pension administration system) in order to address compliance issues, which included a range of communication and engagement methods factoring in the recent impact of the pandemic. In terms of any specific category of employers affected, the main focus of engagement activity had been on the school sector, given their payroll provider arrangements and submission deadlines in relation to the academic year and as part of the phased roll out of monthly returns.
- Whilst the Pension Administration Strategy enable the scheme manager to take action against employers who did not comply with their statutory and legal obligations to the Fund formal action had not been required, at this stage, with the Board advised that no material break had needed to be reported to the Regulator.

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. **Chair's Annual Report**

David Ewart (Chair – Brent Pension Board) presented a report which provided a summary of the work carried out by the Council's Pension Board during the 2021/22 municipal year.

The Board welcomed the report and as with no comments or issues raised it was **RESOLVED** to note the report.

7. **Risk Register**

Flora Osiyemi (Head of Finance) 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 the following:

- No new risks had been added to the Register since the previous update in March 2022.
- The changes made to the Risk Register, as detailed within section 3.6 and Appendix 1 of the report. The key changes identified included:
 - Item 5.6 (Transfer of LPP Administration System) being updated to reflect Phase II of the migration and Brent's "go live" date with members having considered the impact of this process as part of the Pension Administration Update.

- Item 6.4 (Year End Return) the risk had been changed from a low to a medium - low risk with the likelihood also having changed from 2 to 4 due to the number of outstanding returns, although as noted as part of the Pension Administration Update the current number of outstanding returns had reduced and now stood at three rather than 11;
- Item 9.2 (Investments in Russia, Belarus and Ukraine) the likelihood of the risk materialising had been changed from 10 to 2 given the limited exposure of the Fund to holdings in these areas.

The Board also received and noted the Risk Strategy for the Fund, attached at Appendix 2 of the report.

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 3.6 of the report.

8. **LGPS Update**

The Board received a report providing an update on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

In considering the report the Board noted the following updates:

- In March 2022, the Council had received a letter (attached in Appendix 1 of the agenda pack) from the Head of Local Government Pensions at the Department for Levelling Up, Housing and Communities (DLUHC) setting out their recommendations on how administering authorities should take the McCloud remedy into account in the 2022 triennial valuation. The guidance provided had been subject to review with Brent's Fund Actuaries who had commented that it was in line with expectations and therefore not expected to create any delay in the valuation process.
- The discussions between Prudential and the Head of Pensions at the Local Government Association regarding the ongoing operational difficulties being experienced by administering authorities in relation to the Prudential performance along with the action being taken to address the situation, on which further details had been provided in Appendix 2 of the report.
- The publication of the LGPS England and Wales Annual Report for 2021.
- The publication of the Government Actuary's Department (GAD) report on the 2016 scheme valuation which calculated the cost cap of the scheme. The report concluded that the costs of the scheme had remained below the target costs and as a result no action had been required in relation to any breach of the cost cap corridor and thus no benefits adjustment had been issued.

In terms of issues raised, members were advised that the increase in management charges identified within the LGPS Annual Report had been driven primarily by a rise in investment management charges with administration and governance costs remaining broadly stable.

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

9. **Terms of Reference and Conflicts of Interest policy**

Rubia Jahlil (Finance Analyst) introduced a report detailing the outcome a review of the Pension Board's Terms of Reference and Conflicts of Interest Policy.

In considering the outcome of the review and current Terms of Reference and Conflicts of Interest Policy, the Board supported the view that these both remained fit for purpose. It was noted that as part of the Board's role in ensuring the Brent's Pension Fund continued to be managed and administered effectively and in compliance with necessary regulations they would continue to receive regular updates on the issues being considered by Brent's Pension Fund Sub Committee, including the updated Investment Strategy.

Members welcomed the report and with no further issues raised, it was **RESOLVED** that the Board approve the current Terms of Reference and Conflicts of Interest policy with no changes identified for consideration.

10. **Quarterly Monitoring Report – Q1 2022**

The Board received an update on the Brent Pension Fund Q1 2022 Investment Monitoring Report. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 27 June 2022.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the Q1 Investment Monitoring Report.

11. **Pension Fund Business Plan**

The Board received a report outlining the business plan for the Fund for the next 12-18 months prepared by the Fund's investment advisors, Hymans Robertson. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 27 June 2022.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the report and endorse the contents of the Pension Fund Business Plan.

12. **Net Zero Transition Roadmap Update**

The Board received a report providing an update on progress against the Fund's net zero transition roadmap. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 27 June 2022.

Members welcomed the report and with no further issues raised, it was **RESOLVED** to note the update provided update and ongoing work and progress being made on the Net Zero Transition Roadmap as detailed within Appendix 1 of the report

13. **Pension Fund year end accounts 2021/22**

The Board received a report presenting the draft pension fund annual accounts for the year ended 31 March 2022. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 27 June 2022.

In considering the report the Board thanked officers for their work in successfully meeting the Fund's year-end accounts deadline ahead of the statutory schedule and noted the strong financial position of Brent's Pension Fund, with the value of investments having increased to £1,128m during 2021/22 (compared to £1,032m 2020/21). In response to a query regarding the final accounts, the Board was advised that these were now in the process of being audited prior to final sign off, with a further update to be provided once this had been completed.

Members welcomed the report and as no further issues were raised it was **RESOLVED** to note and endorse the Pension Fund Year End Accounts 2021/22.

14. **2022 Triennial Valuation**

The Board received a report updating the committee on the 2022 Pension Fund Valuation. It was reported that the report had been considered in detail by the Brent Pension Fund Sub Committee on 27 June 2022.

Members welcomed the report and with no further comments or issues raised, it was **RESOLVED** to note the report and progress on the Valuation process.

15. **Any other urgent business**

None.

16. **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.

17. **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 27 June 2022. The update included (as detailed in Appendix 1) the data, performance of Funds that Brent had invested via London CIV as well as the LCIV quarterly investment review which included Brent's investments in the LCIV Infrastructure fund along with valuation and performance data for the underlying portfolio investments and an update on pipeline investments (as detailed in Appendix 2 of the report). As a final update members' attention was drawn to the general updates provided by the London CIV (as set out in Appendix

3) in relation to investment, fund launches and fund monitoring and operational controls.

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

The meeting closed at 7.17pm

MR DAVID EWART
Independent Chair

	Pension Board 9 November 2022
	Report from the Corporate Director Finance and Resources
Pensions Administration Update	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two Appendix 1 Q1 2022-23 Performance Report Appendix 2 Breaches Policy
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassr@brent.gov.uk Sawan Shah, Head of Pensions 020 8937 1955 Sawan.Shah@brent.gov.uk Rubia Jalil, Finance Analyst 020 8937 1855 Rubia.Jalil@brent.gov.uk

1.0 Purpose of the Report

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

2.0 Recommendation(s)

2.1 The board is recommended to note the overall report.

3.0 Pensions Administration Performance Report

3.1 This report reviews the performance of the LPP contract against agreed Service Level Agreements (SLA's) during April 2022 to June 2022.

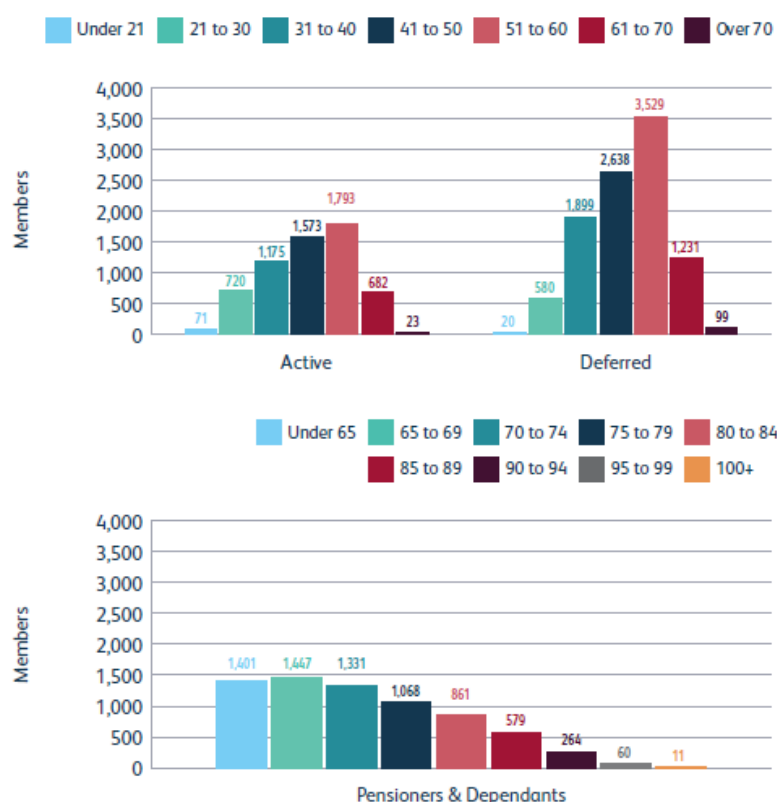
3.2 The Pensions administration team hold monthly meetings with LPP to monitor the performance of the contract looking at both the individual month and trends across months. Full details on the Q1 2022-23 performance are set out in Appendix 1.

3.3 As of 30 June 2022, the Brent Pension Fund had 23,055 members, which was made up of:

- 6,037 active members
- 7,022 pensioners (including dependants)
- 9,996 deferred beneficiaries.

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

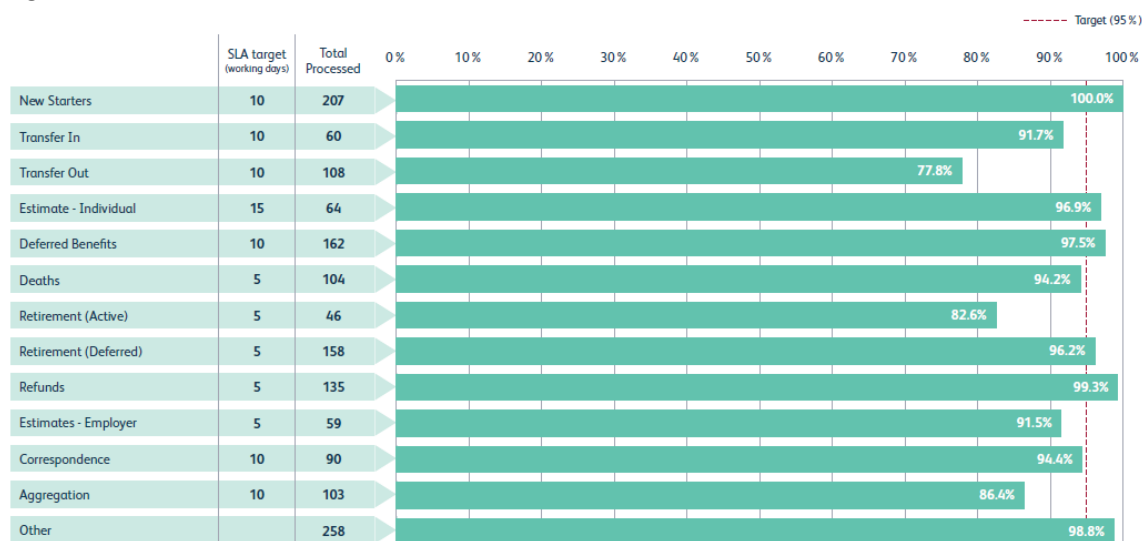
Figure 1:



3.5 The quarterly average percentage of cases processed on time was 94.7%, which is below the contractual SLA target of 95% however relaxed SLAs have been agreed with the Fund during the Universal Pensions Management (UPM) migration period: 90% for payment cases; 70% for other case types.

- 3.6 Figure 2 provides detail on the number of cases that have been processed grouped by category. In Quarter 1, the average SLA performance was 94.7%.

Figure 2:



- 3.7 Helpdesk call performance measures the average wait time and calls answered. The Fund average call wait times have reduced significantly with performance of 17 minutes 19 seconds in April, 12 minutes 59 seconds in May and 5 minutes 21 seconds in June following the first phase of project PACE.
- 3.8 Phase 1 of the migration to Universal Pensions Management (UPM) has been completed with 9 LPPA clients now live on the UPM. LB Brent will go live in November as part of phase 2 migration.
- 3.9 The average calls answered improved towards end of quarter 1, 84.6% of calls were answered in April, 87.8% in May and 94.7% in June.
- 3.10 Since the last Pension Board, 8 new complaint cases have been received. This included no new complaints in April, 3 new complaints in May and 5 new complaints in June. Brent and LPP are taking action to ensure that these cases are resolved swiftly. However the complex nature of some cases means that this is not always possible. In addition, following the completion of each case, a process is undertaken to ensure any lessons learned are reviewed and consequently, if necessary, processes and procedures will be updated.
- 3.11 The Pension Regulator (TPR) acknowledges that complete, accurate scheme records are a vital part of the administrative function. The Regulator defines two types of data held in scheme records:

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

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

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

Figures 3 below displays the TPR scores achieved in regards to the accuracy of common and conditional data. As at 30 June 2022, Common data has improved since last quarter, a total accuracy rate of 96.8% while conditional data has a total accuracy rate of 87.0%, an improvement from the previous quarter.

Figure 3:

COMMON DATA

CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
NI Number	3	73	29
Surname	0	0	0
Forenames/Initials	0	6	6
Sex	0	0	0
DOB	0	0	0
Date started pensionable service / policy / contributions	0	0	0
Expected retirement / maturity / target retirement date	0	0	0
Membership status	0	0	0
Last status event	0	0	0
Address	21	528	35
Postcode	22	574	48
Total Fails	46	1,181	118
Individual Fails	25	647	77
Total Members	6,037	9,996	7,022
Accuracy Rate	99.6%	93.5%	98.9%
Total accuracy rate	96.8%		

CONDITIONAL DATA

CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	4
AV/C's/Additional Contributions	0
Deferred Benefits	0
Tranches (DB)	636
Gross Pension (Pensioners)	18
Tranches (Pensioners)	844
Gross Pension (Dependants)	20
Tranches (Dependants)	18
Date of Leaving	17
Date Joined Scheme	0
Employer Details	0
Salary	313
Crystallisation	98
Annual Allowance	192
LTA Factors	0
Date Contracted Out	16
Pre-88 GMP	536
Post-88 GMP	942
Total Fails	3,654
Individual Fails	3,007
Total Members	23,055
Total accuracy rate	87.0%

- 3.12 An issue was identified in May 2022 regarding a deferred member whose pension benefits had been brought into payment and an incorrect pension increase date had been used. The impact of this was an overpayment of pension to the member.
- 3.13 Upon investigation, it was identified that the cause of this error relates to the storage of data in LPPA's pensions administration system (Altair). When the Pension Fund transferred from its previous administrators, Capita, to LPPA in 2018 it was identified that the previous system did not hold a pension increase date that could be mapped to Altair. A solution was developed to ensure pensions were calculated correctly however it has now emerged that this was not applied in all cases.
- 3.14 The Fund requested LPPA to investigate and conduct a review to check the retirement procedures and determine whether this was an isolated incident or a more widespread issue. They have found that in addition to the original case there were a further 10 cases had been identified where an incorrect pension increase date had been used.

- 3.15 Officers are reviewing the paperwork sent to the pensioners at the point that they retired to establish if the pensioners could reasonably be aware that there was an error in the calculation. Each overpayment will be considered on a case by case basis, while considering the impact on the pensioners.

4.0 Annual Benefit Statements

- 4.1 It is a statutory responsibility for the scheme manager to issue an Annual Benefit Statement (ABS) to all eligible active and deferred members by 31 August each year.
- 4.2 For active members, an ABS was issued to all members identified on the year end returns from employers by the deadline of 31 August 2022. There were a small number of records where queries from year end returns had not been resolved in time or an annual return has not been completed and sent to the Fund. For these members an ABS could not be produced as employers had not been forthcoming with the relevant information.
- 4.3 Initial estimates received from LPPA indicate that this represents a minority of members in the Fund however it is disappointing that the number of statements outstanding is higher than last year. Members who have not received an ABS will receive a statement from the Fund as soon the relevant information has been received from the employer and any queries have been cleared.
- 4.4 The Pensions Administration Strategy (PAS) allows the scheme manager to take action against employers that do not comply with their statutory and legal obligations to the Pension Fund. These actions will be considered for employers that did not respond to requests for information in a timely manner.
- 4.5 As part of The Pensions Regulators Code of Practice, employers and other individuals involved in running a pension scheme have a legal duty to report a breach of the law where it is likely to be of material significance to the regulator. In order to clarify the decision making process with regards to reporting breaches, the Fund has a breaches policy, attached in Appendix 2. At this stage, it is not considered to be a material breach to report to TPR for the reasons set out below:
- Officers have been monitoring the situation and proactively working to rectify this issue as soon as possible.
 - The Fund has been working closely with LPP and employers to resolve the outstanding queries as soon possible, treating the overall exercise as a high priority.
 - Employers who did not submit their return in a timely manner have been contacted multiple times.
 - The Fund has also escalated significantly overdue returns statements to senior management of employers (CEO/CFO, Headteacher, Chair of Governors).
 - The Pensions Administration Strategy provides the Fund with the powers to take action against employers who not comply with the standards set out in the strategy.

- 4.6 In light of the issues experienced during this year's ABS rollout, officers will review the breaches policy and PAS to see where it could be strengthened. This will be reported back to the board at its next meeting.

5.0 Updates for this quarter

- 5.1 The Fund is holding an Employers Forum on 23rd November 2022, all fund employers and their payroll providers have been invited to attend. The event will include presentations from the Fund Actuary, Hymans Robertson and LPPA and will provide updates on 2022 valuation and on employer responsibilities.
- 5.2 LPPA are continuing the introduction of a new pension administration system which is made by Civica and called Universal Pensions Management (UPM). Project PACE phase 2 of the migration will run from October to December 2022, this will move remaining 9 clients to UPM. The go live date for the Brent Pension Fund will be 11th November 2022.
- 5.3 Jo Darbyshire, the Managing Director at LPP will be in attendance at the Pension Board meeting to provide a verbal business update.

6.0 Financial Implications

- 6.1 Not applicable.

7.0 Legal Implications

- 7.1 Not applicable.

8.0 Equality Implications

- 8.1 Not applicable.

9.0 Consultation with Ward Members and Stakeholders

- 9.1 Not applicable.

10.0 Human Resources

- 10.1 Not applicable.

Report sign off:

Minesh Patel

Corporate Director Finance and Resources

LPP

Local Pensions Partnership
Administration

Brent Pension Fund

Quarterly Administration Report

1st April – 30th June 2022

lppapensions.co.uk

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DEFINITIONS

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Total Fund Membership

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

Current Age Demographic

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

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

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

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

Page 11

Casework Performance Against SLA

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

Page 12

Casework Performance Against SLA

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

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

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

Page 14 & 15

Helpdesk Performance

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

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

All figures reported in this section are non-client specific, as not all member calls are dispositioned at client level. This means that call volumes and wait times are not at client level - however, as calls are answered (through our various IVR options) in relation to wait time, performance across all LPPA clients is broadly the same

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

Page 17 – 19

Customer Satisfaction Scores

The Helpdesk satisfaction scores (telephone and retirement) are the percentage of people who completed the survey with a satisfied (green) or neutral (amber) response. The Retirement satisfaction score illustrates the total surveys taken, split by response of Dissatisfied, Neutral or Satisfied. New joiners survey is emailed to new members after they have received their scheme welcome letter.

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Member Online Portal

The number and % of Members that are registered for the Member Online Portal, including a quarterly view and a comparison with the overall LPPA sign up rate (all Members).

Page 29

Common/Conditional Data Fails

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

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

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

OUR CORE VALUES

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

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

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



ANNUAL PLAN 2022/23

✓ COMPLETED 📅 DUE

Page 19

	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23
Annual Benefit Statement and Newsletter to Deferred Members		✓										
Pension Increases		✓										
Annual Benefit Statement and Newsletter to Active Members					📅							
Pension Saving Statements							📅					
HMRC Scheme Returns							📅					
IAS19 data			✓		📅				📅			📅

EXECUTIVE SUMMARY

Big changes...
Forward thinking...
Doing the right thing...
Committed to excellence...

This performance report covers the reporting period of Q1 2022/23 (April – June 2022)

Given the significant change programme currently underway at LPPA, an Executive Summary is included to accompany the data and metrics outlined in this report.

The migration project to move to our new pensions administration system is well underway, with phase 1 clients (9 clients / c300,000 members) successfully migrated between January – March 2022. The remaining clients (9 clients / c300,000 members) will migrate across between October – December 2022.

To help us manage this significant change programme, we agreed a period of temporary relaxed SLA's for all clients between March – May 2022 and then again between November– January 2022. The usual overall SLA target is 95 %, and this target was relaxed as follows:

- High priority relaxed SLA for 3-months post go live (relaxed to 90 % target SLA).
- Other cases relaxed SLA for 3-months post go live (relaxed to 70 % target SLA – with the exception of no breach in statutory deadlines, disclosure or a guarantee period).
- Ill-health estimates/retirements prioritised.
- Helpdesk call and web form wait times are likely to increase and we will manage this by proactively updating messages on our website, in the IVR when we receive calls and when a web-form is submitted to us.

PRIORITY	CASE TYPE
HIGH	Deaths • Retirements deferred • Retirements immediate
OTHER	Admissions • Refunds • Transfers Out • Transfers In Divorce • Aggregation • Deferred Benefits • Estimates – member Estimates – employer • Correspondence

Payroll

- No disruption to pensioner payroll or lump sum payments (this equates to over £100m, across all clients, in pension payments per month).
- Pensions Increase was successfully run and P60's produced in April/May.

Statutory Deadlines

- All regulatory and statutory deadlines due in the reporting period were met.

Casework SLA Performance

During the period April to June, performance against SLA has been adversely impacted by the short-term and expected issues arising from the phased “go lives” of the migration to our new pensions administration system (UPM). The timescales of phase 1 were aggressive as we had contractual obligations to meet.

Performance against SLA is measured fundamentally differently in UPM than CMS (LPPA's former workflow system), the key differentiators being:

- The SLA “clock” starts at the beginning of a process in UPM, but on receipt of all information in CMS. Whilst CMS is in line with contractual agreements, there was not a robust way to configure UPM to replicate this; and
- The SLA “clock” restarts when a case comes off hold/pending in CMS. This does not happen in UPM, pending time is subtracted from the overall elapsed time.

The processes in UPM have been configured so that a review/triage of a process takes place within 48hrs of receipt. We expect this to result in reduced end to end elapsed times.

Overall performance against SLAs is improving month on month but are still currently below our usual overall SLA target of 95 %.

EXECUTIVE SUMMARY CONTINUED

Page 21

The key areas which have initially impacted SLA performance include:

1. New way of measuring performance against SLAs in UPM.
2. Increased volumes and/or spikes of work post go-live (e.g., clearing emails built up in each blackout period prior to “go live”).
3. A higher number of hypercare issues post go-live than anticipated. This resulted in processes having to pause until the issue was fixed, resulting in some cases missing SLA.
4. An initial productivity dip, although LPPA are starting to see output improve across a subset of processes.
5. Managing resources across both systems, particularly in light of a competitive recruitment market.
6. System downtime – including a 2 day Altair outage at the end of June creating spikes in work and reallocation of resources across both systems. The impact will continue into July performance figures.

Pensions Helpdesk

Helpdesk performance for the period has seen average wait times increase above the non-contractual target of 4 minutes, and the number of calls answered before being abandoned below the aspirational 95 % target.

The Helpdesk had not been running at normal service levels as LPPA continue to experience:

- Record volumes of inbound calls (System migration to UPM, Pensions Increase, P60s, PensionPoint launch).
- Increased call handling time for all UPM calls as call handlers are not familiar with the new system.
- Backlogs of online/email enquiries which leads to more calls being received.

Given the increase in call volumes it remained challenging for the Helpdesk to return to normal service levels. A combination of lower call volumes and tactical solutions deployed to help manage the calls are bringing wait times down. We have also recruited a dedicated trainer to the helpdesk which has resulted in more resource being trained and available to take calls.

Big changes...
Forward thinking...
Doing the right thing...
Committed to excellence...

Monthly average wait times are trending in the right direction:

- April – 16 minutes • May – 13 minutes • June – 5 minutes • July – 3 minutes

Online Enquiries / E-mails

Pre-Pace Phase 1, business as usual timescales for handling web enquiries and e-mails was typically running at circa 70 % responded to within 24 to 48 hrs. Since the transition of clients to UPM began in January, the handling time has increased to circa 70 % responded to in 5+ days. Performance has been adversely impacted as redeployed email resources to answer calls.

LPPA continue to train additional Helpdesk advisors to provide additional resilience and have recently appointed a Helpdesk training resource, in order to deliver the required training in a more focused way, which will speed up the time from recruitment to deployment on the phones and handling of mailboxes.

Web enquiry and e-mail response times returned to a 24-48hr turnaround time at the end of June 2022.

Fund Membership

In this section...

- Total Fund membership
- Current Age Demographic

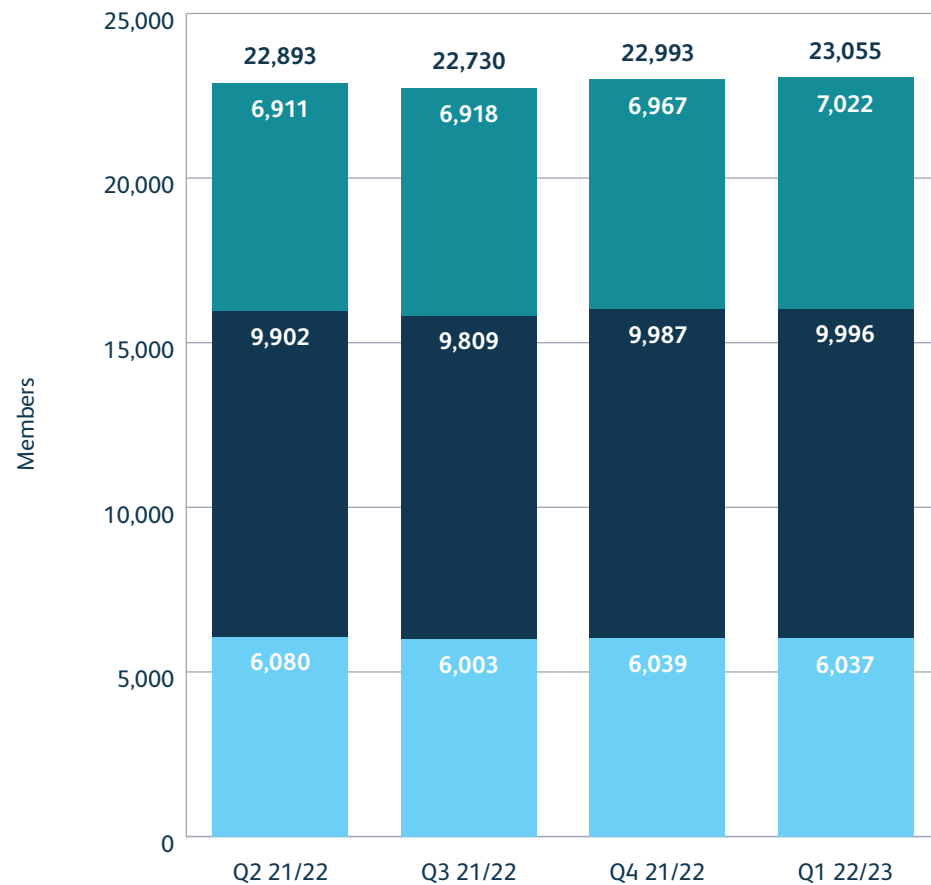
TOTAL FUND MEMBERSHIP



TOTAL FUND MEMBERSHIP

CLIENT SPECIFIC

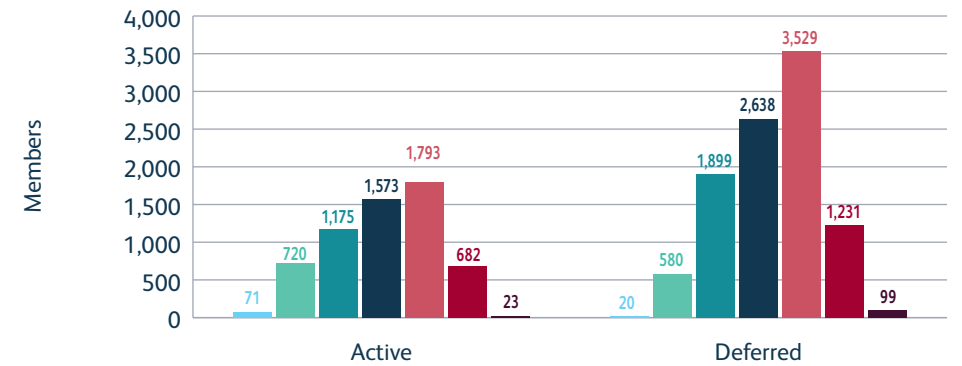
Active Contributors Deferred Beneficiaries Pensioners & Dependants



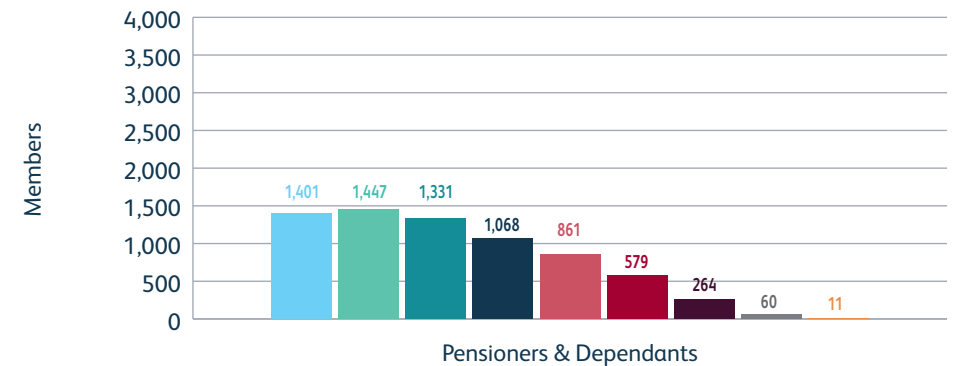
CURRENT AGE DEMOGRAPHIC

CLIENT SPECIFIC

Under 21 21 to 30 31 to 40 41 to 50 51 to 60 61 to 70 Over 70



Under 65 65 to 69 70 to 74 75 to 79 80 to 84 85 to 89 90 to 94 95 to 99 100+



Casework Performance Against SLA

In this section...

- Performance – All cases
- Performance Standard

CASEWORK PERFORMANCE AGAINST SLA

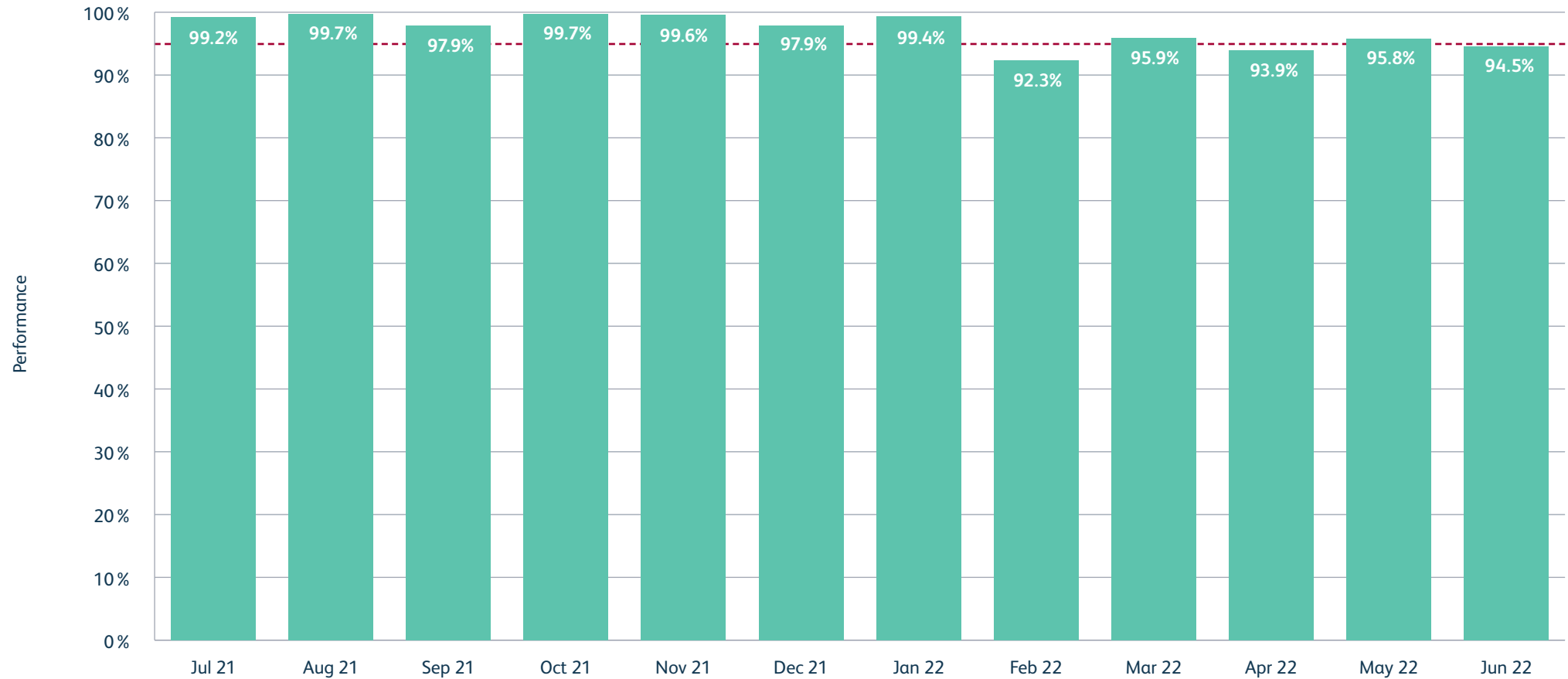


PERFORMANCE – ALL CASES

CLIENT SPECIFIC

--- Target (95 %)

The quarterly SLA performance was 94.7%



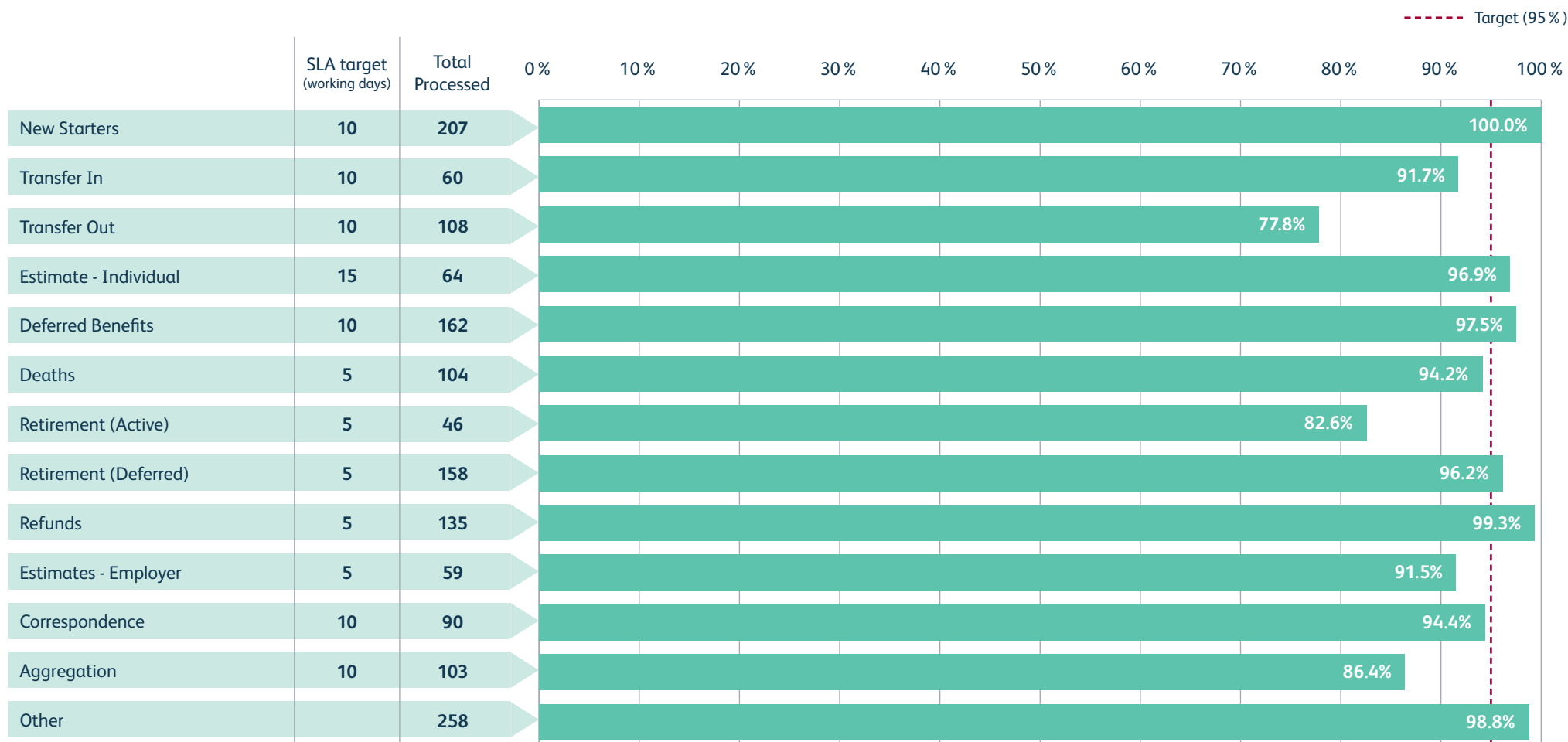
CASEWORK PERFORMANCE AGAINST SLA



PERFORMANCE STANDARD

CLIENT SPECIFIC

Page 26



Helpdesk Calls Performance

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

In this section...

- Wait time range
- Calls answered (%)
- Calls answered (volumes)

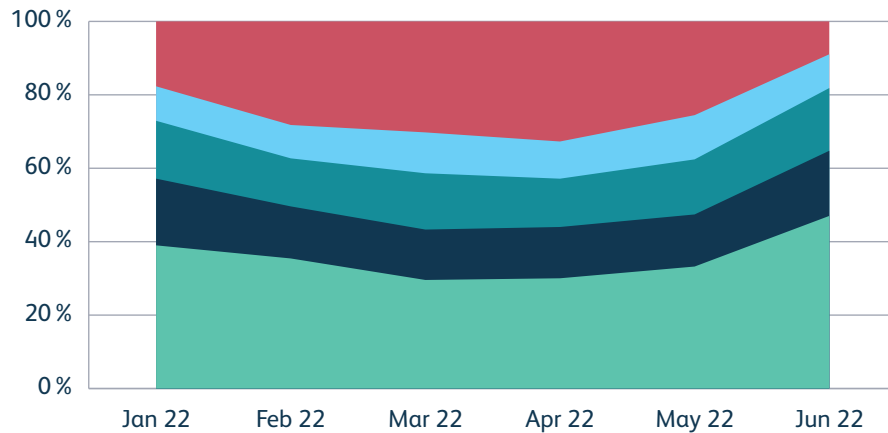
HELPDESK CALLS PERFORMANCE



WAIT TIME RANGE

ALL LPPA

Under 2 mins 2 to 5 mins 5 to 10 mins 10 to 15 mins Over 15 mins



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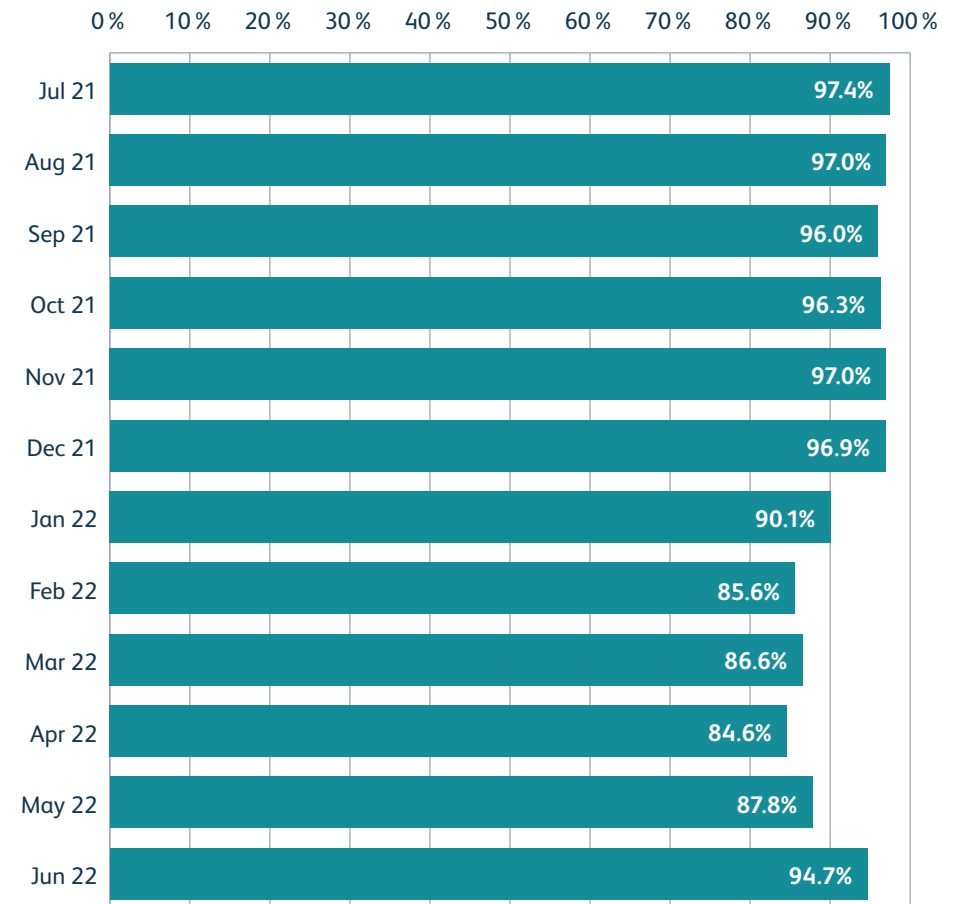
	Under 2 Mins	2 to 5 Mins	5 to 10 Mins	10 to 15 Mins	Over 15 Mins
Jan 22	39.0 %	18.2 %	15.8 %	9.4 %	17.7 %
Feb 22	35.4 %	14.2 %	13.1 %	9.1 %	28.2 %
Mar 22	29.6 %	13.7 %	15.3 %	11.1 %	30.2 %
Apr 22	30.0 %	14.0 %	13.2 %	10.1 %	32.7 %
May 22	33.2 %	14.2 %	15.0 %	12.1 %	25.5 %
Jun 22	47.0 %	17.7 %	17.1 %	9.2 %	9.0 %



CALLS ANSWERED (%)

ALL LPPA

Performance

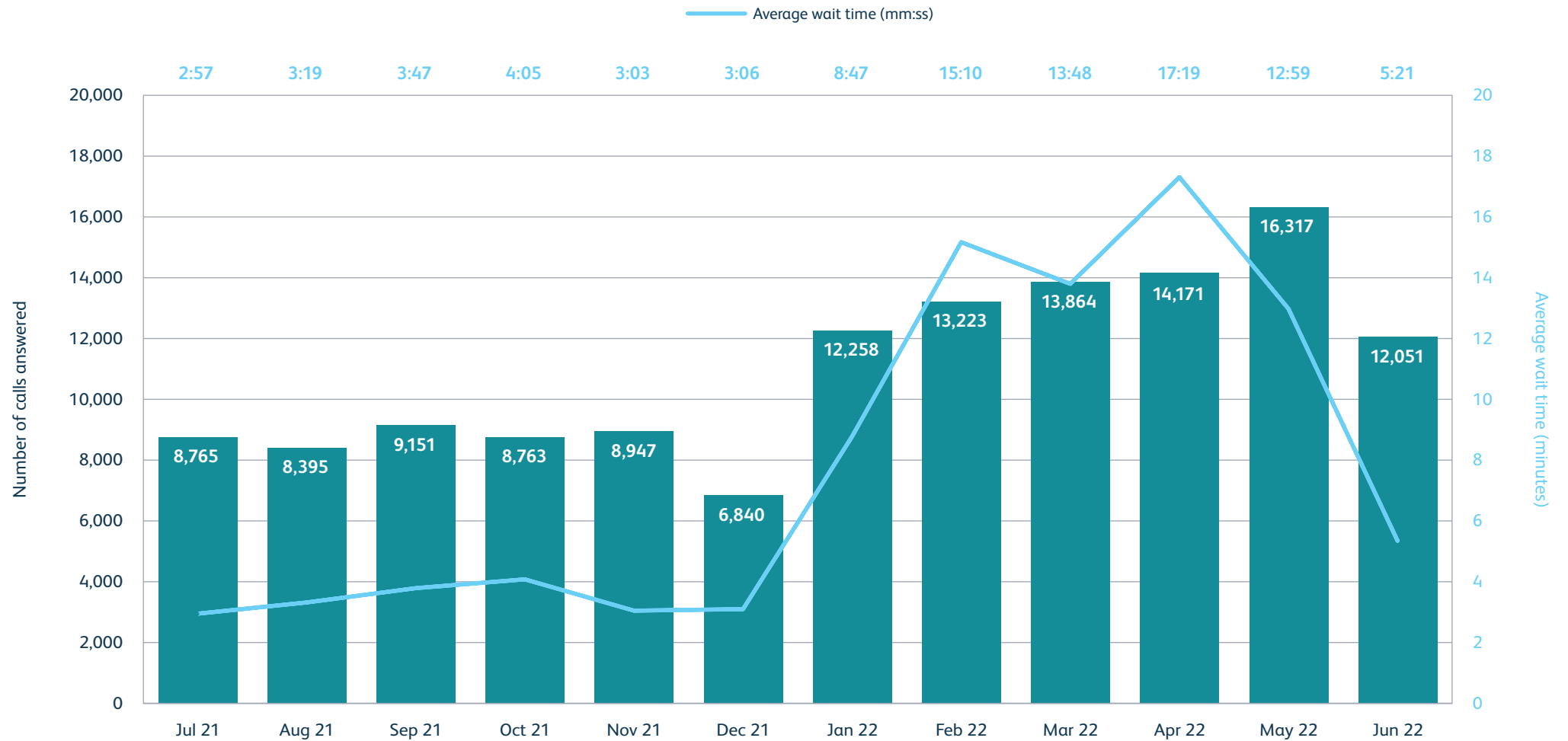


HELPDESK CALLS PERFORMANCE



CALLS ANSWERED (VOLUMES)

ALL LPPA



Customer Satisfaction Scores

In this section...

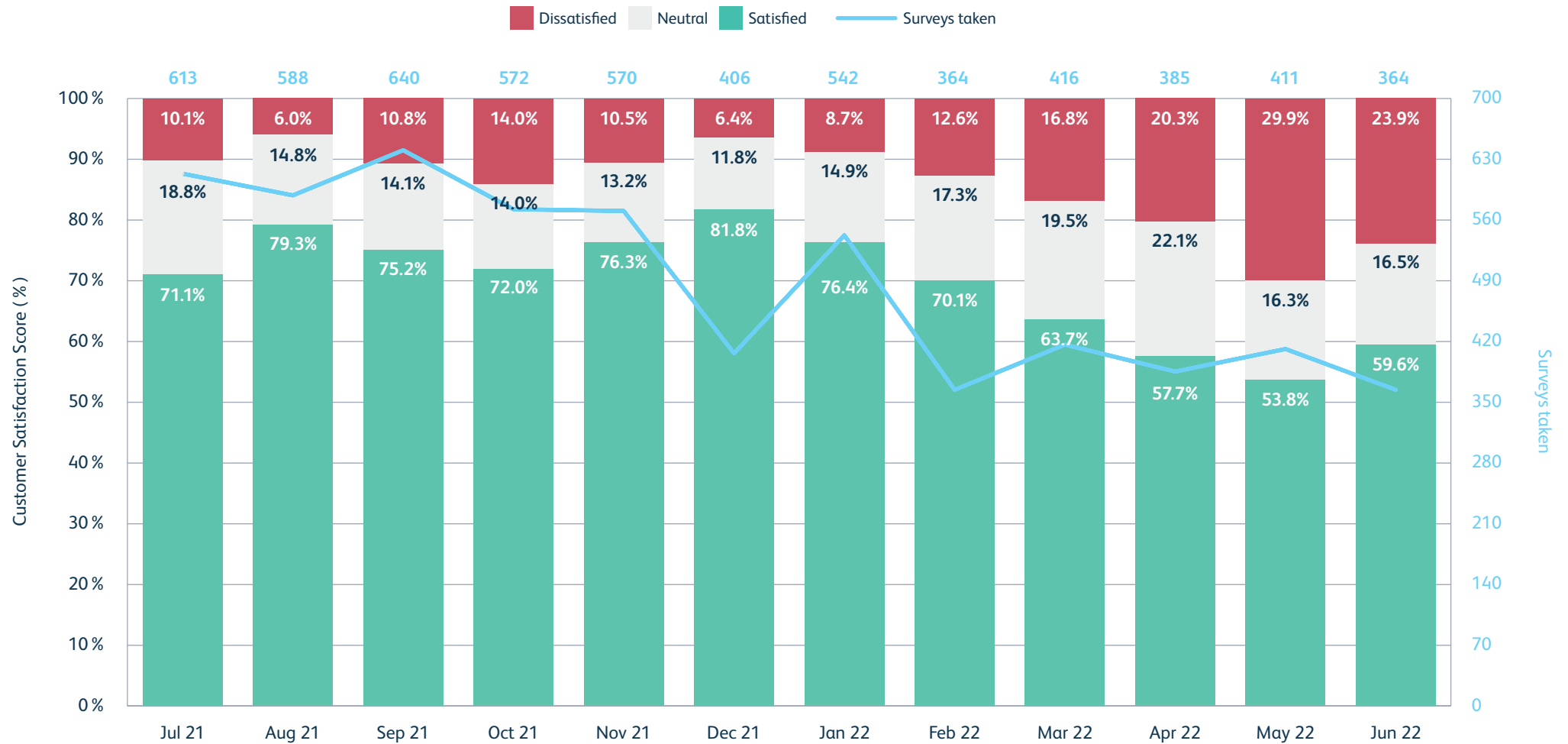
- Helpdesk calls satisfaction
- Retirements
- New joiners

CUSTOMER SATISFACTION SCORES



HELPDESK CALLS SATISFACTION

ALL LPPA

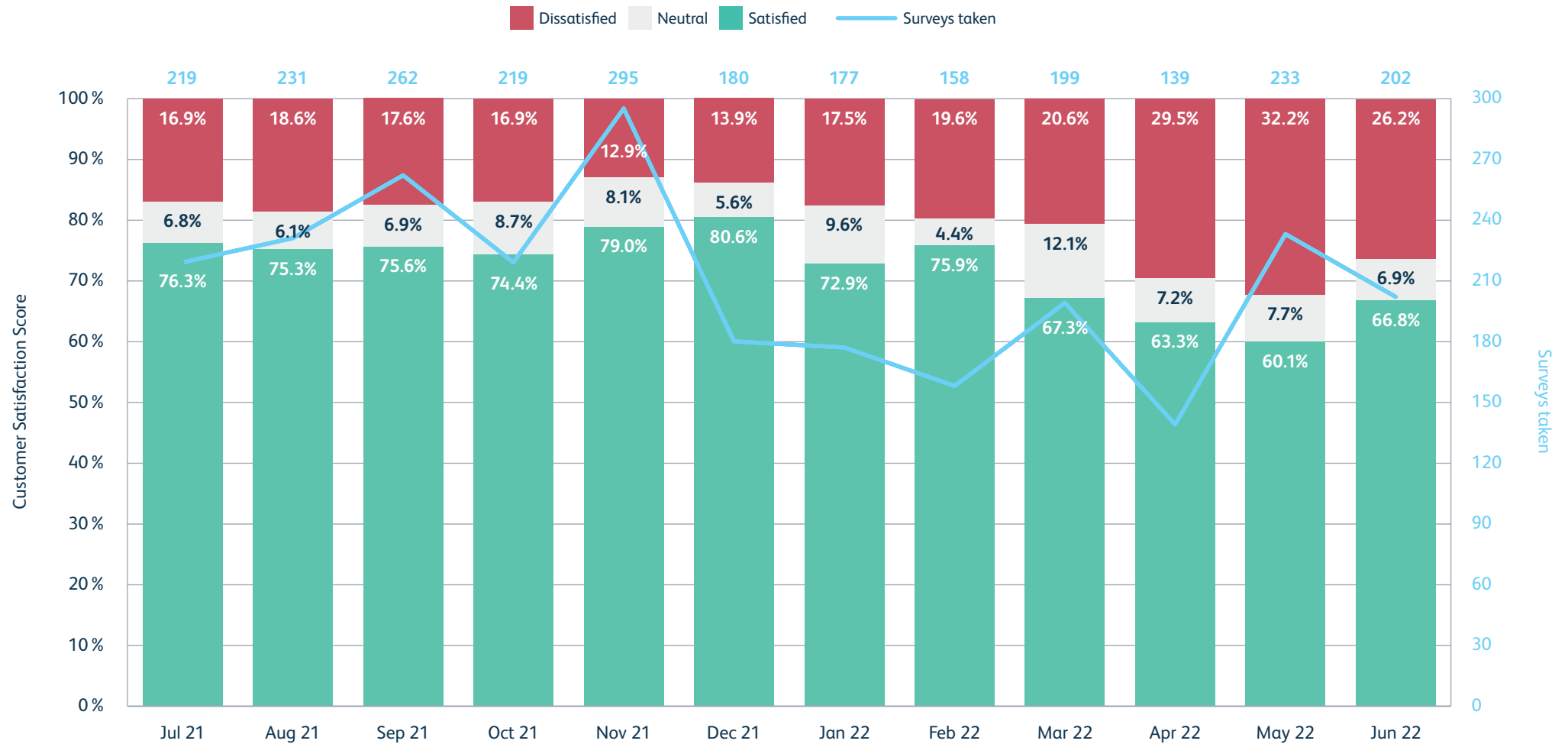


CUSTOMER SATISFACTION SCORES



RETIREMENTS

ALL LPPA



CUSTOMER SATISFACTION SCORES

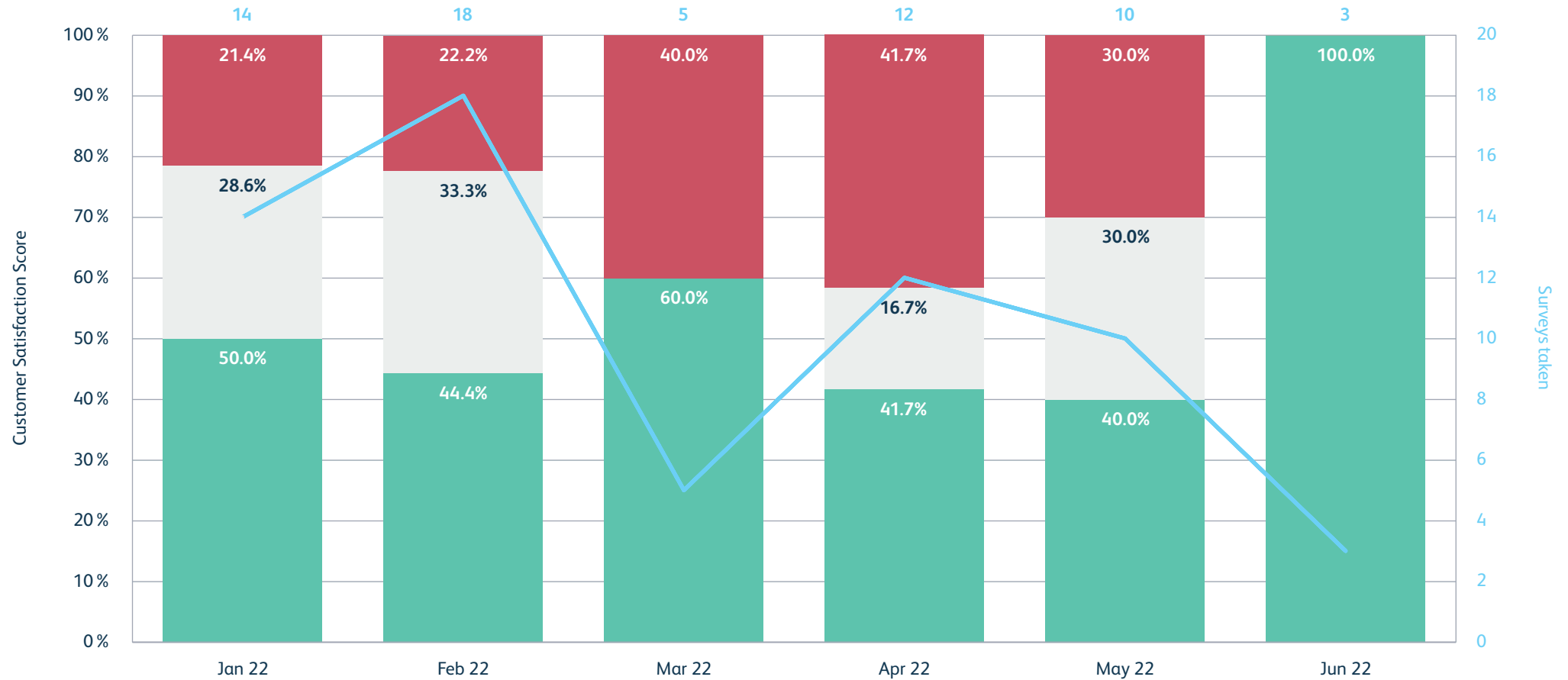


NEW JOINERS

ALL LPPA

Dissatisfied Neutral Satisfied Surveys taken

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Member Online Portal

In this section...

- Members registered

MEMBER ONLINE PORTAL



MEMBERS REGISTERED

CLIENT SPECIFIC

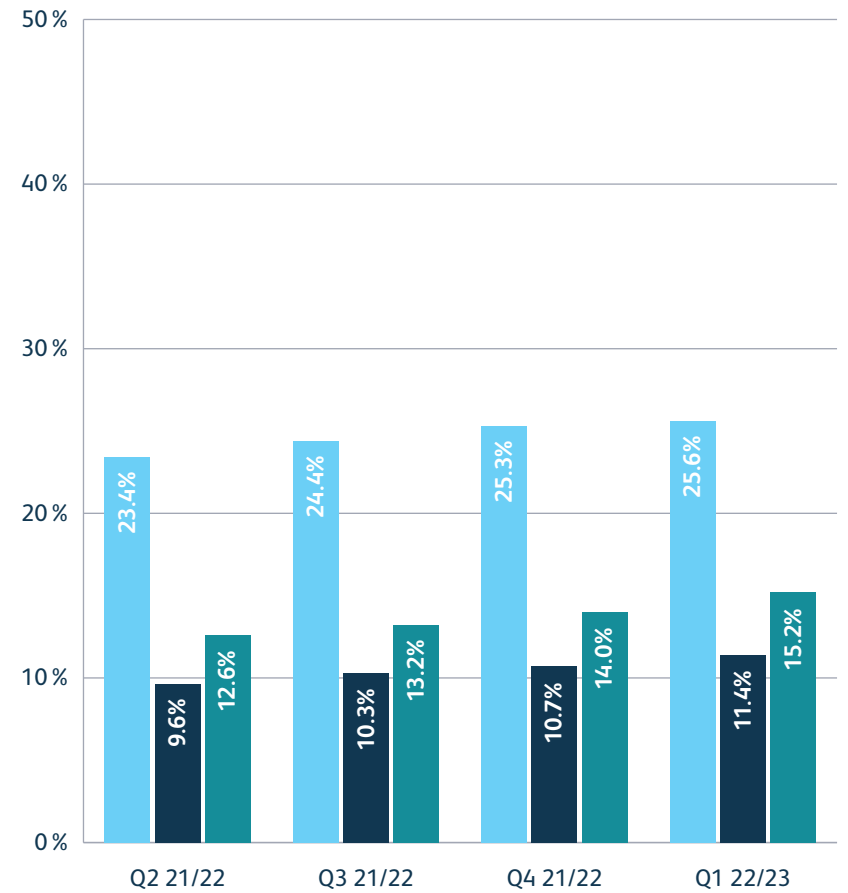
Active Deferred Pensioner

Member Numbers



Active Deferred Pensioner

% Members



Employer Engagement & Communication Activity

In this section...

- Delivered
- Scheduled
- Engagement communications

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED

ALL LPPA

There have been various communications issued to members in Q1, including:

1. Getting ready for retirement - an email is sent once we have received a member's intention to retire. It advises them of the process and gives them the option to download a retirement checklist and to watch LPPA's [retirement video](#)
2. Member surveys - emails are sent after retirement, helpdesk interactions, bereavements, and joining the scheme, to allow LPPA to gather feedback and continue to improve the experience across the processing teams
3. P60 emails have been issued to retired members, explaining that their P60s are available to view through their online portal (paper copies have been issued to members who requested them)
 - [Pension Point P60 email](#)
 - [My Pension Online email](#)
4. ABS emails for deferred members started to be issued in Q1, before active members are scheduled to receive them in Q2. The email explained that their Annual Benefit Statements is available to view in their online portal ([My Pension Online example](#))
5. Spring newsletter – this was made available in a new online format for retired members, and emailed to contactable retired members.
[View spring newsletter \(retirees\)](#)
6. [Additional member video guides](#) (LPPA website) – these have been added to the LPPA YouTube channel including 'How to use the PensionPoint Retirement calculators' (videos have been important in supporting the launch of PensionPoint, the new online member portal)
7. Welcome to the Engagement Team email – this was issued and introduced some new LPPA team members and how they can offer employer support.
[View Engagement Team email](#)

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



DELIVERED CONTINUED

ALL LPPA

8. Pension Pulse employer newsletters sent out in April and May
 - [April Pension Pulse](#)
 - [May Pension Pulse](#)
9. A new employer training page has been created and included on the LPPA website (making it easier for employers to book ongoing training sessions).
[View new training page](#)

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The Employer Engagement team has continued to deliver employer support sessions including:

10. Scheme Leavers Essentials training – for any employers in need of support with submitting leaver details to LPPA, this session cover what to do and how to do it
11. LGPS Scheme Essentials – for any employer that wants more knowledge of the LGPS pension scheme and support with calculating final pay, CARE pay and Absence and Pensionable Pay
12. Year-end file submission training and support for UPM employers

There have also been training sessions delivered to members (all bookable via the LPPA website member training page) including:

13. Making Sense of your Pension (online sessions) - these are aimed at members to help improve their knowledge of their LGPS pension, whether they have recently joined the scheme, or have been in the scheme a while
14. Making Sense of Retirement (online sessions) – these are aimed at Members who are reaching retirement age (age 55 and over) to help improve their knowledge of the retirement process and claiming their LGPS pension

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



SCHEDULED

ALL LPPA

1. ABS activity (ongoing) – emails will continue to be issued to encourage active members to access their ABS through their online portal
2. [Active member online newsletter](#) – this will be emailed to active members across July and August
3. Employer toolkit (pilot) - support and resources for employers to engage with their active members
4. The LPPA employer engagement team will be arranging visits with employers, including targeted visits with those who have been identified as requiring additional support
5. All employer visits (training sessions, support meetings) will continue to be delivered remotely in 22/23. The Engagement team have continued to build on the successful delivery of these sessions during the last two years – the team has adapted the delivery of these sessions to increase the reach across large numbers of employers, and receive positive feedback and satisfaction scores (online training sessions are surveyed with participants)
6. With the launch of UPM Phase 2 (Project PACE) from October, the Q2 period will be focused on training employers on how to use the new employer portal. Employer communications for Q2 will have a strong focus on the move to UPM, with training invites, videos and online resources being communicated

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



ENGAGEMENT COMMUNICATIONS

CLIENT SPECIFIC

- Employer visits were held with 2 Brent Pension Fund employers
- Scheme Leavers Training was delivered and 1 employer within Brent Pension Fund attended
- 1 employer within the Brent Pension Fund attended an Employer Scheme Essentials training session



EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



EMPLOYERS

CLIENT SPECIFIC

Date	Employer	Activity	Number in attendance
04 May	Barnardos	Employer Visit (support)	1
24 May	Princess Frederica CE VA Primary School	Scheme Essentials (Employer Training)	2
08 Jun	JFS School	Employer Visit (support)	1
14 Jun	Fawood Children's Centre	Scheme Leavers Training	1



EMAILS – EMPLOYERS

CLIENT SPECIFIC

Date	Message / Campaign	Call to Action
APRIL	Year end bulletin	Information
	Welcome to the Engagement Team	Information
	My PensionOnline: Currently Unavailable	My Pension Online
	Submitting your end of year data EOY	Information
	Pension Pulse	Information
MAY	Pension Pulse	Information
	Scheme leavers training invite	Booking
	Have your say with LPPA	Survey
JUNE	PensionPoint promotional email	PensionPoint
	Project PACE - getting ready for our new pension administration system	PACE
	Update on end of year queries	Information
	Employer Panel email	Survey
	LPPA address reminder	Information



EMAILS – MEMBERS

CLIENT SPECIFIC

Date	Message / Campaign	Call to Action
APRIL	Pension Estimate: MPO	Information
MAY	Annual Benefit Statement	Information
	Annual pension statement	Information
	Member panel email and survey	Survey

Data Quality

In this section...

- Common data
- Conditional data

DATA QUALITY (TPR SCORES)



COMMON DATA

CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
NI Number	3	73	29
Surname	0	0	0
Forenames/Initials	0	6	6
Sex	0	0	0
DOB	0	0	0
Date started pensionable service / policy / contributions	0	0	0
Expected retirement / maturity / target retirement date	0	0	0
Membership status	0	0	0
Last status event	0	0	0
Address	21	528	35
Postcode	22	574	48
Total Fails	46	1,181	118
Individual Fails	25	647	77
Total Members	6,037	9,996	7,022
Accuracy Rate	99.6%	93.5%	98.9%
Total accuracy rate			96.8%

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CONDITIONAL DATA

CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	4
AVC's/Additional Contributions	0
Deferred Benefits	0
Tranches (DB)	636
Gross Pension (Pensioners)	18
Tranches (Pensioners)	844
Gross Pension (Dependants)	20
Tranches (Dependants)	18
Date of Leaving	17
Date Joined Scheme	0
Employer Details	0
Salary	313
Crystallisation	98
Annual Allowance	192
LTA Factors	0
Date Contracted Out	16
Pre-88 GMP	536
Post-88 GMP	942
Total Fails	3,654
Individual Fails	3,007
Total Members	23,055
Total accuracy rate	87.0%

LPP

Local Pensions Partnership
Administration



Brent

London Borough of Brent

Breaches Policy

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1. Breaches Policy

The London Borough of Brent Pension Fund (“the Fund”) Breaches Policy sets out policy and procedures on identifying, managing, and reporting breaches of the law as covered in paragraphs 241 to 275 of The Pensions Regulator’s Code of Practice no 14, Governance and administration of public service pension schemes.

This policy sets out the responsibility of elected members, officers of The London Borough of Brent (“the Council”), and the Brent Pension Board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund.

This policy does not cover the responsibility of other reporters in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund.

Where a breach of the law is identified all parties will take the necessary steps to consider the breach and report it to the Regulator, rather than having the breach solely reported by any of the other reporters.

This policy will be reviewed and approved by the Council annually. The Council will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Council’s Section 151 Officer is responsible for the management and execution of this breaches policy.

The Chair of the Pension Board will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members.

2. Overview

The identification, management and reporting of breaches is a required by the Code of Practice.

In addition to identifying, rectifying and where necessary reporting a particular breach, such breaches will be used to review and improve processes in the areas where the breach occurred.

All staff involved in the administration and management of the Fund will take a proactive approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Council, as the scheme manager for the Brent Pension Fund, will maintain a log of all breaches of the law (Breaches Log) as applicable to the management and administration of the Fund.

Where a breach has occurred it will be identified and logged as either an area of non-compliance under the LGPS Regulation, a breach under Pension Law as defined within section 13 of the 2004 Pension Act, or the Pension Regulator’s Code of Practice 14.

Where a breach has occurred and has been identified by the Council, officers or members of the Pension Board, or our third party administrators, it will be recorded, assessed and where necessary reported as soon as reasonably practicable.

3. Responsibility Breach Reporting

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as “reporters”):

- Elected members and officers of the Council (the Scheme Manager);
- Members of the Pension Board;
- Scheme employers;
- Professional advisers including the Fund actuary, investment advisers, legal advisers;
- Third party providers (where so employed).

This policy applies only to elected members and officers of the Council, and members of the Pension Board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the Pension Board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach solely reported by any of the other reporters.

4. Reporting Requirements

Breaches of the law which affect pension schemes will be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law
- and if so, is the breach likely to be of material significance to the Regulator.

All incidents of breaches identified are recorded in the Council’s Breaches Log. This log is reviewed on an on-going basis to determine if there are any occurrences that indicate any serious failings or fraudulent behaviour. Where such failings or fraudulent behaviour are identified immediate action will be taken to put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

5. Breaches required to be reported

A breach will be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. Where a breach is considered to be of material significance it will be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency, the matter will be brought to the attention of the Regulator immediately. A formal report will then be submitted to the Regulator marked as urgent.

6. Assessing reasonable cause

The Council and the Pension Board must be satisfied that a breach has actually occurred rather than acting on a suspicion of such an event.

Robust checks will be made by officers and elected members when acting on any suspicion of a breach having occurred drawing on legal advice from Brent's legal services and specialist external legal advice if necessary, as well as other advisers such as internal or external audit, the Fund actuary or investment advisers.

7. Determining if a breach is materially significant

When determining the materiality of any breach or likely breach, Council officers and the Pensions Board will consider the following:

- cause, e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect, does the nature of the breach lead to an increased likelihood of further material breaches;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will occur in the future.

The Council uses The Pensions Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and will need to be reported to the Regulator.

Green breach situations are not of material significance and do not have to be reported but should be recorded.

- **Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach will not be reported to the Regulator, but will be recorded in the Council's Breaches Log.

Amber breach situations are less clear cut; a reporter must take into account the context of the breach in order to decide whether it is of material significance and should be reported.

- **Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council will make a decision on whether to informally inform the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red.

Red breach situations are always of material significance to the Pensions Regulator and should be reported.

- **Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council will report all such breaches to the Regulator.

Once a breach or likely breach has been identified the relevant officer, in consultation with the Section 151 Officer, will review the circumstances of the breach in order to understand why it has occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary.

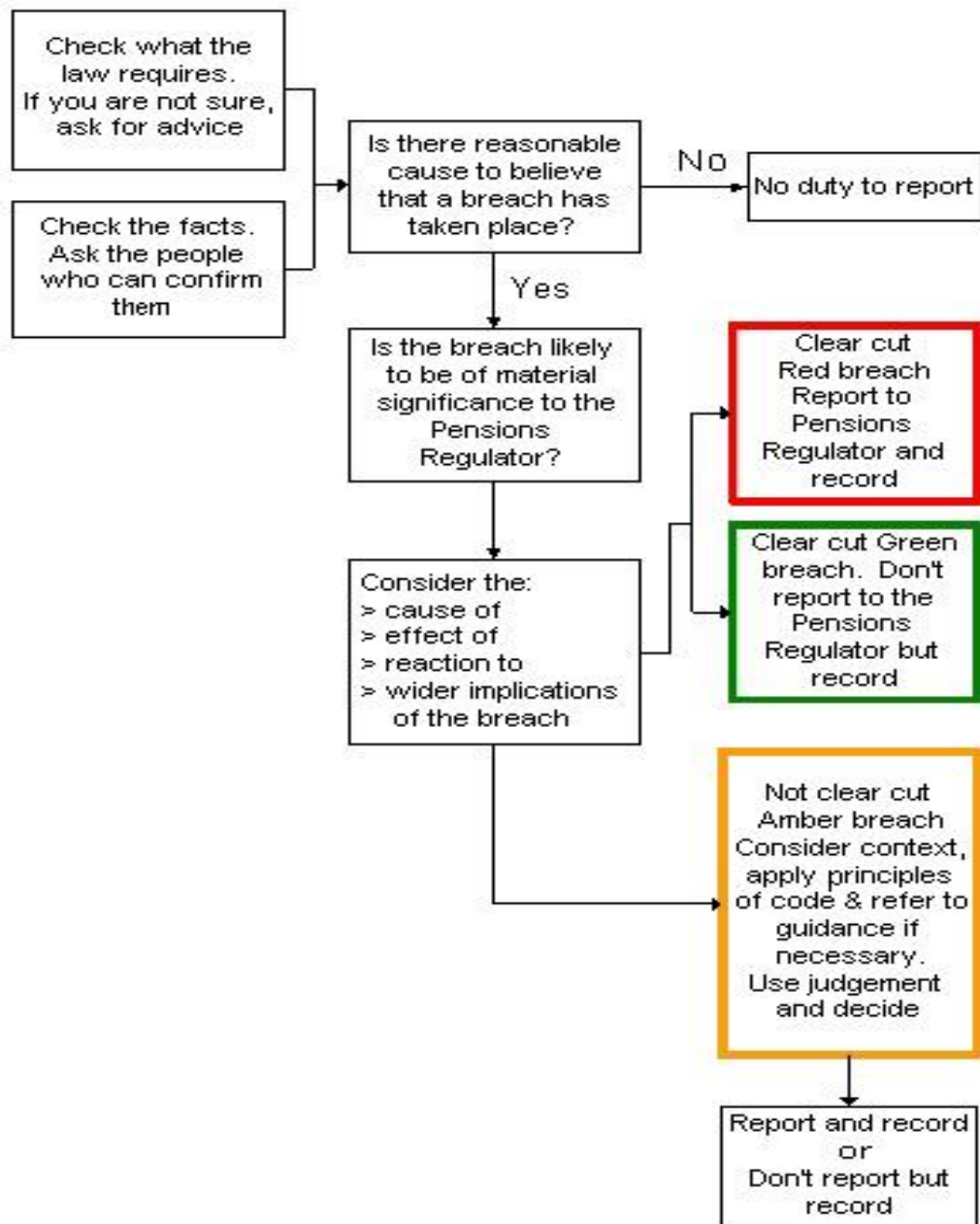
All breaches will be recorded in the Council's Breaches Log.

The Pensions Regulator Decision Tree

Deciding whether to report:

1. Reasonable cause to believe that a breach has taken place
 - No No duty to report
 - Yes Go to 2.
2. Is the breach likely to be of material significance, consider the:
 - Cause of
 - Effect of
 - Reaction to
 - Wider implications of the breach

The Pensions Regulator Decision Tree



8. Process for reporting breaches

All relevant officers and members of the Pension Board have a responsibility to:

- identify and assess the severity of any breach or likely breach
- report all breaches or likely breaches to the section 151 officer
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, and obtaining appropriate legal or other advice where necessary
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from re-occurring
- co-operate with and assist in the reporting of breaches and likely breaches to the Pensions Board, and where necessary, the Regulator.

9. Responsible officer

The Section 151 Officer will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Councils Breaches Log
- investigate the circumstances of all reported breaches and likely breaches
- ensure where necessary that an action plan is put in place and acted on to correct the identified breach and ensure further breaches of a similar nature do not re-occur.

Report to the Pension Fund Sub Committee and Pension Board:

- all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach
- all other breaches at least quarterly as part of the Committee cycle

The Section 151 Officer will determine whether any breach or likely breach is materially significant having regard to the guidance set out in the Code of Practice and after consultation with parties they deem appropriate.

If appropriate, the matter will be referred to specialist advisors, such as Legal, the Fund actuary, audit or other advice before deciding if the breach is considered to be of material significance to the Regulator.

10. Maintaining breaches record

All breaches and likely breaches identified will be reported to the Section 151 Officer as soon as they are identified. All breaches will be recorded on the Council's breaches log, including the following information:

- date the breach or likely breach was identified
- name of the scheme
- name of the employer where appropriate
- any relevant dates
- a description of the breach its cause and effect including the reasons it is or is not believed to be of material significance

- whether the breach is considered to be red, amber or green
- a description of the actions taken to rectify the breach
- a brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The Section 151 Officer is responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Regulator.

Any documentation supporting the breach will be retained.

11. Whistleblowing

The Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Regulator.

12. Training

The Section 151 officer will ensure that all relevant officers and members of the Pension Board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

End.

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 Brent	Pension Board 9 November 2022
	Report from the Corporate Director Finance and Resources
Brent Risk Register	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two Appendix 1 Risk Register Appendix 2 Risk Strategy
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassr@brent.gov.uk Sawan Shah, Head of Pensions 020 8937 1955 Sawan.Shah@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report presents the updated Risk Register for the Brent Pension Fund Pensions Administration Service.

2.0 Recommendation(s)

- 2.1 The board is asked to note the overall report including the key changes set out in section 3.5.

3.0 Background

- 3.1 Effective risk management is the foundation of sound corporate governance and for the LGPS the focus should be on all aspects of the scheme's operation, not just investment matters. Having a strategy and register in place is a way for the scheme manager to identify and manage scheme risks and it is considered good practice to have a strategy and register in place alongside established reporting mechanisms.
- 3.2 Using guidance from The Pensions Regulator and CIPFA, together with Brent's internal risk management resources, a process was undertaken in 2018 to produce a risk management strategy that was unique to Brent's circumstances. This involved a workshop that identified all of the relevant risks, assessed those risks in terms of likelihood, understanding risk management and contingency planning, monitoring risks and documentation in a register.
- 3.3 It is recognised that risk management works well when the administering authority, the Pension Board and employers work together. All parties then understand each other's capacity and appetite for risk. Key elements of this strategy were discussed at a recent working party set up with the scheme manager, administrator and select employers for feedback and comment. The Risk Strategy is attached to this report in Appendix 2.
- 3.4 It has been agreed in previous Board meetings that the Risk Register would become a standing agenda item at these meetings, with new risks and any changes to classifications of risks being reported to the Board.
- 3.5 Key changes to the Risk Register:
- No new risks have been added.
- 3.6 There have been other changes made to the Risk Register at Appendix 1 to keep the document up to date. The changes are:
- Item 2.1 – LPP Financial Standing – update to the comment;
 - Item 5.1 – Scheme Data – updated next review;
 - Item 5.3 – Employer Data – update to the controls in place and comment;
 - Item 5.7 – Data Migration - the likelihood of the risk has changed from 3 to 2, and the overall score of the risk has changed from 24 to 16 because no issues have been reported from early data cuts;
 - Item 6.12 - Pension Plan Events Planning – Updated following completion of GMP reconciliation;
 - Item 6.4 – Year End Return - update to the comment;
 - Item 9.12 – The Fund's Assets Insufficient to Meet Long Term Liabilities - update to the comment to reflect 2022 valuation;
 - Item 9.4 – Exit Pay Reforms - update to the comments to reflect new consultation on exit pay reforms in August 2022;
 - Next review dates are continually updated.

3.7 The Board is asked to notify the scheme manager if it disagrees with these classifications and present any new risks that they would like to be considered.

3.8 The revised Risk Register is attached at Appendix 1 and it is proposed to present any changes or updates to this document to the Pension Board at every meeting.

4.0 Financial Implications

4.1 There are no specific financial implications associated with this report.

5.0 Legal Implications

5.1 None arising directly from this report

6.0 Equality Implications

6.1 None arising directly from this report

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable for this report.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None arising directly from this report

Report sign off:

Minesh Patel

Corporate Director Finance and
Resources

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The London Borough of Brent Pension Fund Risk Register 2022										
Index	A	B	C	D	E	F	G	H	I	J
1	Risk Area Disaster Recovery	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
1.1	Operational Disaster Recovery Plans Brent	Loss of or unable to access admin systems for: a) Pensions b) Payroll c) Pensioner payroll	1	10	10	Brent Council Business Continuity Procedures	Brent	Annual	2022	Brent Council disaster recovery plan in place
1.11		Pension Systems I.T.	1	10	10	Database of all: a) Advisors b) Suppliers c) Contracts	Brent	Annual	2022	Held as hard copy by Brent Council's Legal Department
1.2	Operational Disaster Recovery Plans LPP	Loss of or unable to access LPP admin systems for pensions	1	6	6	LPP Shared Service Agreement.	LPP	Annual	2022	From 1 October 2018 LPP disaster recovery plan in place as part of their Shared Service Agreement with Brent Council
1.21		LPP Pensions Admin System (Altair) used by Brent Council Employers, Maintained Schools and Academies	1	6	6	LPP Shared Service Agreement	LPP	Annual	2022	LPP have a recovery plan in place for their pension admin platform Altair (External provider Aquila/Haywood)
2	Risk Area Business Continuity Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
2.1	Business Continuity	LPP Financial Standing	1	10	10	LPP Service Contract	Brent	Quarterly	Q2 2022/23	Brent Council discuss LPP budget at regular contract monitoring meetings. Full year 2021/22 budget and Q1 2022/23 reviewed, Q2 2022/23 update awaited from LPPA.
3	Risk Area Risk Planning	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
3.1	Risk Planning And Monitoring	Not monitoring: a) Risk and the risk plan b) And amending it as required c) Or adding new areas of risk as they appear Will lead to the risk plan being: a) Inaccurate b) Known risks not being accounted for c) No plans to address these risks	1	10	10	Risk Plan	Brent	Quarterly	Q3 2022/23	The Risk Register is monitored and reviewed by the Scheme Manager and the Pensions Board. Areas of risk are when required: a) Updated b) Amended c) New risks added if identified
4	Risk Area Data Security	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
4.1	Data Security	External attack, loss of data, locked out of data, poor internal procedures can lead to an increased risk of attack from: a) outside b) or internal fraud	2	10	20	Brent Council Data Security Procedures	Brent	Annual	2023	Procedures on data security in place, systems kept up to date with latest security updates
4.12		Not backing up data regularly using secure backup systems	2	10	20	Data Back Up Procedures.	Brent	Annual	2023	Data is backed up on an incremental basis daily and fully backed up weekly, data kept in secure sites.
4.13		a) Clean desk polices not being adhered to: b) Cabinets left open or not locked c) Documents left out overnight d) Documents left on colleagues desk when they are away e) Computer not locked when operator leaves their desk	2	5	10	Brent Council Data Security Procedures	Brent	Annual	2023	Possibility of: a) Sensitive data being seen by unauthorised persons b) Data theft c) GDPR breached e) Brent Council's reputation put at risk
4.14		Taking laptops away from desk that are not password protected with encryption, using them on public transport Not storing laptops in secure location when not in use	1	5	5	Brent Council Data Security Procedures	Brent	Annual	2023	This can lead to: a) Large losses of sensitive data b) Unauthorised people seeing sensitive data while on public transport c) Breach of GDPR d) Breach of Council's policies and dismissal from service
4.2	General Data Protection Regulations	General Data Protection Regulations (GDPR) came into effect 25 May 2018, failure to comply with GDPR will lead to: a) Complaints b) Data breaches c) Possible fines d) Loss of reputation	1	10	10	Brent GDPR Policies	Brent	Annual	2023	Brent has GDPR policies in place and publishes GDPR privacy notices: a) Online b) Yammer c) In news letters d) In communications to its members, employers, academy's, maintained schools
4.21		Sending sensitive data by email ensuring it will be sent to the right recipient and encrypted, or using a secure transmission system	2	8	16	Brent GDPR Policies	Brent	Annual	2023	Sensitive data being sent to an unauthorised person or business leading to breach of GDPR
4.3	Cyber Security	Unlawful cyber access or attacks could be serious for a scheme and its members, and could in the end result in identity theft, loss of data or even loss of financial assets	3	10	30	Brent Council Data Security Procedures LPP Cyber Security Procedures	Brent	Annual	2023	Both Brent and LPP have significant cyber security policies and procedures in place to prevent and deter cyberattacks. The impact of a cyber attack could be significant, so it is important for these to be permanently up to date. Brent Officers periodically review the current cyber security strategy ensuring that extensive measures are in place and up to date in order to safeguard the integrity, confidentiality and availability (ICA) of information.
5	Risk Area Pension Administration	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
5.1	(Scheme Data) Scheme Data Provided to LPP by Capita for: Maintained Schools Academies Employers	Missing common and Scheme Specific data not provided by employers, maintained schools and academies leads to delay in progressing administration for members	5	10	50	LPP Data Check	Brent	Quarterly	Q2 2022/23	LPP run a test of the data each month. These scores are included in the administration update report taken to each Pension Board meeting.

5.2	Record Keeping Planning	Not updating the record keeping plan to take into account changes of circumstances thorough the year could lead to a failure to take corrective action leading to a drop in the quality of scheme data or delays in processing member benefits	3	7	21	TPR Data Scores, Data cleanse project	Brent	Quarterly	Quarterly	Brent record keeping plan have been created to deal with poor common data and scheme. Phase 2 of data cleanse project was completed in Q4 2021/22. 1,385 missing leaver queries were identified within the scope of the project. A total of 1,219 queries have been resolved (88%). Of the outstanding 166 cases, 55 are now active cases within "business as usual" and the remaining 111 cases have been passed over to Brent and will be followed up with employers at the 2021-22 year end. Data quality has improved and is now being monitored quarterly.
5.3	(Employer Data) Maintained Schools Academies Employers Supplied Data to Capita	Failure by Maintained Schools, Academies, Employers to provide data accurately and on time to the LPP results in poor scheme data held by the LPP	5	10	50	Employer Engagement Employers Forum PAS 2021	Brent	Annual	2022	Employers to export data annually to LPP system highlighting data problems by import validation, also reporting from the admin systems of missing files leads to early indication of employers having data problems. Monthly returns planned for FY 2023/24 to improve timeliness of data. Training to be provided to employers by the LPP on using the systems and what LPP requires from employers. The Pensions Administration Strategy allows the scheme manager to take action against employers that do not comply with their statutory and legal obligations to the Pension Fund. These actions will be considered should employers not respond to requests for information in a timely manner.
5.4	Loss of Key Staff Members	Specialist nature of the work means there are relatively few staff members with knowledge of the Local Authority Pensions Regulations and Pensions Administration requirements. Significant knowledge gap left if specialist staff leave, likely to cause short-term disruption.	4	8	32	Training Plan Knowledge sharing and transfer	Brent	Annual	Ongoing	Key Officers to ensure processes are documented and knowledge is being passed on to other members of the team, to ensure limited disruption in the event of an unexpected absence or leaving the position. Training events delivered by external parties are available and staff are encouraged to attend External Support is available to mitigate this risk, both from external advisors and LPP who manage the fund's administration
5.5	Impact of Coronavirus (COVID-19)	Increase in staff who are unwell leading to: a) Delays in administrative processing and increase in backlog cases b) Member benefits being delayed c) Increase in complaints d) Difficulties in meeting key deadlines such as year-end Delays in implementing the agreed investment strategy due to volatile financial markets.	5	2	10	Brent Council Business Continuity Procedures LPP Business Continuity Procedures Hymans Robertson Business Continuity Plan (as Fund Actuary and Investment Advisors)	Brent	Ongoing	Ongoing	Situation is being monitored on an ongoing basis. Staff to observe Government and NHS guidance. Increased use of flexible and remote working technologies are now in place to enable staff to operate in an efficient and effective manner. The Pensions Administration and Finance team are able to work from home and in offices.
5.6	Transfer of LPP Administration System from Heywoods to Civica	Risk in transferring of LPP Admin systems from Heywoods to Civica: a) Delays in timely completion of transfer leading to delayed administrative processing b) Inaccurate transfer of scheme data from one system to the other leading to incorrect calculations of member benefits c) Members benefits being delayed d) Increase in complaints e) Places an unwarranted and costly drain on Brent resources of providing service to its members	4	7	28	Risk and Project Plan	LPP	Ongoing	Ongoing	LPPA are rolling out a new pension administration system which is made by Civica and called Universal Pensions Management (UPM). The UPM system is replacing 5 different systems including Altair, LPP's workflow management system (CMS), both YourFund employer portals and the My Pension Online member self-service portal. The overall project is called project PACE. Project PACE is being delivered by a dedicated team of project managers and ringfenced project roles to ensure no impact to the day to day performance of the business. LPPA successfully completed Phase 1 of the migration to UPM with 9 clients. The rollout plan for Phase 2 migrations has been agreed – this will move all remaining clients to UPM between October - December 2022. It is confirmed that go live for the Brent Pension Fund will be 11th November 2022. The transfer of this service from Heywood's to Civica while having many benefits will also involve risks that are to monitored regularly by LPP through their Project Plan capturing key dates, tasks, milestones, risks and controls in place. LPP are providing Brent officers with regular updates in monthly meetings to ensure successful transfer of administrative systems. An update is also being provided to the Pension Board.
5.7	Data Migration	The data is not transferred across or is transferred across incorrectly leading to: a) Delays in the calculation of member benefits b) Member payments being delayed c) Increase in complaints d) Difficulty in meeting key deadlines e) Reputational damage to the fund	2	8	16	Regular meetings with LPP	LPP	Ongoing	Ongoing	LPP are conducting five separate data cuts for the migration of data from Altair into UPM. Each data cut will be completed and signed off before the next data cut is completed. The data will be fully reconciled before UPM go live. Brent is part of the second batch of the clients going live on 11 November 2022, therefore we will be able to learn lessons on what's gone well and what has not gone well.
6	Risk Area Plan Events	Risk Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
6.1	Pension Plan Events Planning	Plan events such as: a) Annual benefits statements b) Year end reporting to the TPR c) Accounting d) Pension increases e) Plan valuations	4	10	40	Plan Calendar	Brent	Annual	2022	Plan Calendar to identify events: a) What work is required b) What recourses will be used c) Completion and sign off
6.12		Pension projects such as: a) Changes in legislation that needs to be actioned b) GMP equalised for men and woman	5	10	50	Plan Calendar	Brent	Annual	2022	To allow longer term planning for items such as: a) New legislation coming in to effect b) Ensure Plan events are completed on time c) Prepare for GMP equalisation
6.2	Annual Benefits Statements 2021/22	Failure to have the necessary correct and accurate data will lead to: a) Statements not being sent b) Possible delay sending statements whilst this data is obtained and systems updated	6	10	60	LLP Shared Service Agreement and PAS	Brent	Annual	2022	It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year. Scheme employers are required to submit an end of year return in order to be able to produce an ABS. Following submission of the return, employers may be required to respond to queries to clarify any data on the return before an ABS can be produced. It is therefore important that end of year returns are received promptly. Delays in submission of returns can lead to a risk that the ABS are not issued by the deadline. Where returns have not been promptly received, Brent and LPP will work together directly with employers to ensure prompt and accurate submission of end of year returns.

6.21		Annual Benefits Statement dependant on: a) Common Data b) Scheme Specific data c) Data being improved from the Record Keeping Plan (RKP)	5	10	50	LLP Shared Service Agreement	Brent	Annual	2022	Improvement to common and Scheme Specific data being carried out under RKP.
6.3	Deferred Member Benefit Statements 2021/22	Incorrect Statutes, no address, missing data to calculate leads to: a) Statements not being issued b) Statements inaccurate c) Incorrect valuation and liabilities for the Plan.	5	10	50	LLP Shared Service Agreement	Brent	Annual	2022	Member data is being dealt with under the Record keeping Plan.
6.4	Year End Return	Failure to complete year end return and submit on time leads to fines	4	10	40	PAS and Plan Calendar	Brent	Annual	2022	End of year process has been completed for most employers. Pro active action to get employers to provide data on time is in place. Training sessions are provided to employers to assist completion.
6.5	Admission Agreements	Failure to process an admission agreement within the time frames set on in LGPS regulations can lead to transferring employers pension entitlements being delayed, legal issues stopping the agreement from being implemented and costs incurred that can not be recovered	5	10	50	Internal Controls	Brent	Quarterly	2022	Admission agreements are regularly reviewed by officers in finance and legal to resolve issues encountered in the admission agreement process and progress to completion.
6.52		Not having procedures and processes to processes and monitor agreements are on track and any reason for delayed identified and acted on could lead to delays in implementation of the agreement	5	10	50	Internal Controls	Brent	Quarterly	2022	Admission agreements are regularly reviewed by officers in finance and legal to resolve issues encountered in the admission agreement process and progress to completion.
6.53		Oversight of the legal team and ensuring that they are processing the legal agreements in the time set out in the procedures and requirements of admission agreements is a major factor on processing an admission agreement on time	5	10	50	Internal Controls	Brent	Quarterly	2022	Overseeing of the legal team on admission agreement by the Scheme Manager to ensure no delays and prompt processing of agreement becomes a priority
6.54		Failure to keep to rules and regulation on admission agreement will require this failure to be reported to the TPR	5	10	50	Internal Controls	Brent	Quarterly	2022	Breaches log to bring attention of failing and lessons learned in processing admission agreements
7	Risk Area Auto Enrolment	Risk Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
7.1	Auto Enrolment	Failure to process auto enrolment on time leads to: a) Member complaints b) Members unable to opt out or in c) Delayed administration d) Possible action by the regulator to improve or be fined	1	10	10	Auto Enrolment Procedures	Brent	Ongoing	Ongoing	Auto enrolment checked monthly for: a) Enrolment b) Opt outs c) Opt Ins d) Auto Enrol Renewal, as part of Brent procedures for pensions and payroll
8	Risk Area Regulatory	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
8.1	Anti Fraud Initiatives Mortality Existence	Benefits paid to people not entitled to benefits from the LGPS	2	5	10	2019 Anti Fraud Plan	Brent	Annual	2022	Administration processes check for fraud
8.2	Pension Board Training	Pension Board members not having the appropriate degree of knowledge and understanding to perform their duties. Pension Board member not having the right knowledge to make informed decisions and challenge Officers of the Council.	1	5	5	Pension Board Training Plan	Brent	Annual	2022	Regular training is provided via a training programme for Pension Board members All Pensions Board members to complete and pass the TPR public pensions course online
8.3	Pension Board Conflict Of Interest	Conflicts of interest must be declared in the Register of Interests Failure to declare an interest can lead to serious consequences and pose a risk to the Plan and possibly member	1	5	5	Conflict of Interest Register	Brent	Annual	2022	The register of interests and other relevant documents are circulated to the Pension Board for ongoing review and are published on the Brent Council's website
8.4	Governance	Failure to have good governance plans in place which are reviewed and monitored can lead to: a) Poor administration b) Increased administration costs c) Poor investment outcomes d) Increased levels of risk e) Not understanding what the risks are and having plans to manage the risk f) Statutory requirements not being met such as: g) Annual benefits statements not being produce and sent out h) Pension saving statements not being produce and sent out i) Year end returns being done late	1	3	3	Multi areas cover governance: a) Plan Rules b) Business Plan c) PAS 2018 d) Scheme Manager e) Pensions Board f) Pensions Sub Committee.	Brent	Ongoing	2022	Governance is monitored by: a) Scheme Manager b) Pensions Board c) Pensions Sub Committee d) Internal and External Controls
8.5	Failure to make provision for oversight of the administration of the Plan	Failure to ensure that overall oversight is in place and carried out can lead to: a) Breaches of the law b) Poor administration and record keeping c) Unauthorised payments d) Poor administration being allowed to continue e) Failure to meet deadline on time f) Possible fines g) Fraud to occur h) Loss of confidence and reputation for the Council	1	2	2	The Pension Board assists the Scheme Manager in the provision of oversight of how the Plan is administered	Brent	Ongoing	2022	The oversight of the plan is carried out by the Scheme manager with assistance from the Pension Board
8.6	Discretions	A decision to add pension or disregard a reduction on pension for early payment leads to increased costs to the employer	1	5	5	Chief Financial Officer	Brent	Annual	2022	Discretions under review on early retirement with actuarial reduction, Discretions are covered under LGPS Rule 30 (2&5) In preparing such a statement the Council must have regard to the extent to which the discretions are exercised to avoid a loss of confidence in the service provided.

8.7	Data Protection Breaches	Breaches not recorded and failure to report a breach to the regulator can lead to fines and loss of reputation	3	6	18	Breaches Log	Brent	Monthly	Monthly	Breaches log to monitor all breaches and report of breached to the regulator
9	Risk Plan Funding & Accounting	Risk & Outline	Likelihood	Impact	Score	Control	Owner	Test	Next Review	Comment
9.1	The Fund's Assets Insufficient to Meet Long Term Liabilities	Pension Fund Assets not sufficient to pay: a) Pension benefits b) Transfers c) Death benefits d) Could lead to raising of pensions contributions e) Plan has to reduce benefits f) Reassessment of the funding strategy	2	10	20	Public Sector Payroll Controls	Brent	2020	Monthly	Contributions are checked on a monthly basis Overdue Contributions: Employers Academies Maintained Schools Are actively chased
9.11			1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2022	A report on the 2019 Triennial Review (including the Funding Strategy Statement) was presented to the Pension Board at the March 2020 meeting. Next triannual valuation 2022.
9.12			1	10	10	Fund's Funding Level Assessment	Brent	Monthly	Monthly	The Fund receives regular performance reports on its investments from the custodian. The Fund actuary, Hymans Robertson, completes a valuation of liabilities every 3 years. Draft Whole Fund results for the 2022 valuation presented to the Pension Sub-committee in October 2022.
9.2	Investments in Russia, Belarus and Ukraine	Due to the impact of the UK government sanctions on the Ukraine invasion by Russia, the exposure of the Brent Pension Fund to Russian, Ukrainian and Belarusian assets is set out below: Total Fund Value (31/1/22) £1.1 billion Total Exposure £1.6 million Exposure 0.14% The Fund has relatively minimal exposure to Russian, Ukrainian and Belarusian holdings.	2	1	2	The Fund holds a well-diversified portfolio of assets, which has been invested in line with the investment strategy statement	Brent	Ongoing	Ongoing	Officers, in conjunction with our investment advisors, fund managers, London CIV and actuary, are monitoring the situation on an ongoing basis and continually assessing risks. It is understood that most Russian, Ukrainian and Belarusian holdings have been removed from the relevant indexes and have been written down to zero.
9.3	Impact of McCloud judgement on Long Term Liabilities	Court of Appeal ruling that transitional protections were unlawful on the grounds of age discrimination could increase employer contributions.	8	6	48	Triennial valuation/ Funding Strategy Statement	Brent	Quarterly	Ongoing	Following the close of the McCloud consultation, Brent Officers have now provided a response to MHCLG following discussions with the Fund's actuary, Hymans Robertson and the Fund's admin provider LPP. At this stage, it is likely that greater admin resource will be required and it is expected that there will be a cost to the Pension Scheme. Officers are now in discussions with LPP and Hymans to prepare for the impact as we await the government's formal response to the consultation and the subsequent change in regulations enacted in law.
9.4	Exit Pay Reforms	There is potential for new legislation to be introduced which will alter the way redundancy benefits are carried out for members aged 55 and over.	2	6	12	Governance & Compliance	Brent	Quarterly	Ongoing	On 12 February 2021, The Chancellor of the Exchequer determined that the Restriction of Public Sector Exit Payments Regulations 2020 Regulations should be withdrawn, this was revoked on the 25th February 2021. On 8 August 2022, HM Treasury (HMT) launched a new consultation on public sector exit payments proposing to introduce an expanded approvals process for employee exits and special severance payments, and additional reporting requirements. In light of this, Brent Officers will continue to monitor such updates, liaise with the Fund actuary and update the Pensions Board accordingly.
9.5	Pension Contributions not Paid by:	Effects the Plans abilities to: a) Pay out benefits b) Braking the law on pension contribution collections c) Unnecessary costs for chasing for contributions d) Continuing non payment for pension contributions will lead to: e) Breaches for the payment of pension contribution regulations f) Being reported for breaches as required by law g) Delay benefits beginning paid h) Can lead to delays in accounting for pension contributions	2	10	20	PAS	Brent	2021	Ongoing	Procedures in place to deal with pension contributions not being made or late
9.51	Maintained Schools Academies Employers		2	10	20	PAS	Brent	Annual	2022	Engaging with: a) Employers b) Academies c) Maintained Schools d) With working parties and employer forums e) LPP to provide more support in this area
9.52	a) On time b) Or not at all c) Refusal to pay		2	10	20	PAS	Brent	Annual	2022	Contributions are monitored on a monthly basis and late or non payers reported. 2018 Revised PAS includes fines for non compliers.
9.6	Pension Plan Accounting	Failure to comply with accounting regulations will lead to serious consequences: a) Possible fines b) Loss of reputation	2	10	20	Annual audit	Brent	Annual	2022	Draft accounts for 2021/22 have been published and are currently in the process of being audited.
9.61			1	10	10	Triennial valuations	Brent	Tri Annual	2022	2019 Triannual completed. Next triannual valuation 2022
9.62			1	10	10	The Funding Strategy Statement	Brent	Tri Annual	2022	A report on the 2022 Triennial Review (including the Funding Strategy Statement) will be presented to the Pension Board during 2022/23.
9.63			1	10	10	Fund's Funding Level Assessment	Brent	Annual	Annual	The Fund receives regular performance reports on its investments from the custodian. A valuation of assets and liabilities on an accounting basis is completed annually. The Fund actuary, Hymans Robertson, completes a valuation of liabilities every 3 years.



Brent

London Borough of Brent Risk Strategy

Brent Risk Strategy July 2018

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1. Introduction

1.1 This is the Risk Strategy for the London Borough of Brent Fund ("the Fund"), which is part of the Local Government Pension Scheme ("LGPS") managed and administered by the London Borough of Brent ("the Administering Authority").

The Risk Strategy details the Fund's approach to managing risk including:

- the risk approach adopted for the management of the Fund, attitudes to risk, how risk is managed and implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

2. Strategy objectives

2.1 In relation to understanding and monitoring risks, the Administering Authority aims to:

- integrate risk management into the procedures, internal controls, and the day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund including, the Pensions Board, maintained schools, academy's, employers and other partners
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice and TPR guidance of risk
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

2.2 To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication
- the Pensions Act 2004
- the Pensions Regulator code of practise 14 as related to risk
- the pensions Regulator Essential guide to the public service code as related to risk

3. Purpose of the strategy

3.1 The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities for improvement and a reduction in risk along with better outcomes for members
- minimise threats

3.2 The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

4. Effective date

4.1 This policy is to go before the Pension Board on 24 July 2018 for approval and will be in effect from that date.

5. Review

5.1 To be viewed quarterly by the Scheme Manager and the Pensions Board and updated as required, or if the risk management arrangements, or other matters included within it, merit reconsideration.

6. Scope

6.1 This Risk Strategy applies to all members of the Pension Board and the Pensions Fund SubCommittee, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund including the Chief Finance Officer (Section 151 Officer), Head of Finance and the Head of Pensions.

6.2 Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee and Sub-Committee members and Board members as required in meeting the objectives of this Policy.

7. Risk Management Philosophy

7.1 The Administering Authority recognises that it is not possible to eliminate all risks. Accepting and actively managing risks is therefore a key part of the risk management strategy for the Fund.

7.2 In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, further joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

7.3 The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

8. CIPFA and the Pensions Regulator's Requirements

8.1 CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

249B Requirement for internal controls: public service pension schemes

1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed: (a) in accordance with the scheme rules, and
(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A." Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly.

The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the experience of the person(s) performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

8.3 The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Strategy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

9. Responsibility

9.1 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the officers are responsible for ensuring the process outlined below is carried out, subject to the oversight of the Pension Board.

However, it is the responsibility of each individual covered by this Strategy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

10. The London Borough of Brent Pension Fund Risk Management Process

10.1 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.

(1)	Risk Identification
(2)	Risk Analysis
(3)	Risk Control
(4)	Risk monitoring

10.2 Risk identification (1)

The risk identification process is both a proactive and reactive one. Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises overseen by the Scheme Manager, Pension Board, and Pension Sub Committee
- performance measurement against agreed objectives
- monitoring against the Fund's business plan to be available Q4 2018
- findings of internal and external audit and other adviser reports
- feedback from the Pension Board, maintained schools, academy's, employers and other stakeholders
- liaison with other organisations, regional, national associations, and professional groups

Once identified, risks will be documented in the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

10.3 Risk analysis (2)

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

Risk level Reasoning		Likelihood	Impact	Score	Risk Types	Risk Planning	Expected Outcomes
Risk Level	%	1 Least Likely 10 Most Likely	1 Least Likely 10 Most Likely	Likelihood Times Impact			
Low	1 to 20	1	10	10	Risk known	Planned for in advance	Countered by plans and procedures in place if needed
Green Low							
Low to Medium	20 to 50	2	10	20	Risk possible concerns	Monitored	Monitored and plans in action or more actions will be put in place if required
Yellow Low to Medium							
Medium to High	50 to 75	5	10	50	Risk manageable	Managed	Active and pro active longer term plans in place,
Orange Midium to High							
							subject to close monitoring and rapid action if required
High	75 to 100	8	10	80	Risk having a major impact	Planned actions in place	Action plans in place, monitored weekly, longer term before risk will reduce
Red High							

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

10.4 Risk control (3)

The Head of Finance (Pensions) will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur.

Before any such action can be taken, Pension Board and Pension Sub Committee approval may be required where appropriate officer delegations are not in place.

The result of any change to the internal controls could result in any of the following:

- Risk elimination, for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction, for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer, for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's business plan (Due Q4 2018) in relation to any agreed action as a result of an identified risk.

10.5 Risk monitoring (4)

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pensions Board. In monitoring risk management activity, the Pension Board will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- are there any lessons to be learned for the future assessment and management of risks.

11. Reporting and monitoring

11.1 Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on a quarterly basis to the Pension Board.

The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 10 or more) or new major risks (for example, scored 25 or more).

As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Pension Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Strategy on a quarterly basis taking into consideration any feedback from the Pensions Board and Pensions Sub Committee.

12. Key risks to the effective delivery

12.1 The key risks to the delivery of this Strategy are outlined below. The Pension Board will monitor these and other key risks and consider how to respond to them following updates and recommendations from officers:

- Risk management is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately
- Risk plan is not monitored to ensure actions to reduce risk have been taken and new risks that

have been identified are not recorded, monitored and carried out, will lead to risk not being managed in line with Risk Policy

13. Risk Register Appendix A

The Risk Register Appendix A :

- 1 Risk Area Disaster Recovery
- 2 Risk Area Business Continuity Planning
- 3 Risk Area Risk Planning
- 4 Risk Area Data Security
- 5 Risk Area Pension Administration
- 6 Risk Area Plan Events
- 7 Risk Area ns
- 8 Risk Area TPA Transition
- 9 Risk Area Regulatory
- 10 Risk Plan Funding & Accounting

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	Pension Board 9 November 2022
	Report from the Corporate Director Finance and Resources
LGPS Update	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Three Appendix 1 - LGPC Bulletin – July 2022 Appendix 2 - LGPC Bulletin – August 2022 Appendix 3 - LGPC Bulletin – September 2022
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources 020 8937 4043 Minesh.Patel@brent.gov.uk Ravinder Jassar, Deputy Director of Finance 020 8937 1487 Ravinder.Jassar@brent.gov.uk Sawan Shah, Head of Pensions 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 recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund.

2.0 Recommendation(s)

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

3.0 Detail

FAQs on the cost of living crisis added to member website

- 3.1 The LGA have added frequently asked questions (FAQs) on the cost of living crisis to the member website. These can be accessed at <https://www.lgpsmember.org/help-and-support/frequently-asked-questions/?faq-type=cost-of-living-crisis-faqs>
- 3.2 The FAQs cover where to find help with living costs, reducing or stopping pension contributions, pension scams and help for pensioners on lower incomes.

McCloud factsheet

- 3.3 In 2018, the Court of Appeal ruled that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully age discriminatory. Following the ruling the Government accepted that steps should be taken to remedy the age discrimination for all public sector schemes.
- 3.4 In July 2022, The Pensions Ombudsman (TPO) published a factsheet on McCloud. It sets out TPO's views on what affected members and schemes can do now and their present approach to dealing with McCloud complaints.
- 3.5 The TPO recognises that that the Government is taking steps to address the discrimination with retrospective effect. Bearing this in mind, TPO's general starting position is that it would not investigate McCloud complaints. However, they carefully look at the facts of each case before deciding whether to investigate. The factsheet sets out examples where TPO may decide to investigate a McCloud complaint now.

HMT consultation on public sector exit payments

- 3.6 On 8 August 2022, HM Treasury (HMT) launched a consultation on public sector exit payments. The consultation proposes to introduce an expanded approvals process for employee exits and special severance payments, and additional reporting requirements.
- 3.7 The guidance is intended to apply to all bodies that are classified as 'Central Government'. This does not include local authorities but does apply to academies.
- 3.8 The new approvals requirement would apply to decisions made by employers to agree to an exit where the total payment to be made would be more than £95,000. This includes relevant statutory, contractual or discretionary payments. This would include any strain cost where an LGPS member aged over 55 leaves due to redundancy or efficiency. A further approval will be needed if special severance payments – payments in excess of contractual obligations – are to be offered.

3.9 The consultation closed on 17 October 2022.

TPR warns employers about auto-enrolment duties

3.10 The Pensions Regulator (TPR) published a press release warning employers to ensure they are complying with their automatic enrolment duties following in-depth compliance inspections earlier in the year. TPR found several common errors in respect of calculating pension contributions and communications to staff.

3.11 They also highlighted that when completing re-enrolment, which employers must carry out every three years, they should check their systems and processes are up to date and running smoothly.

4.0 Financial Implications

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

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel

Corporate Director Finance and
Resources

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LGPC Bulletin 227 – July 2022

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

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

- [SF3 form for 2021/22 published \(not relevant for Scotland\)](#) - administering authorities must provide the information by 16 September 2022.
- [Survivor benefits guide published \(not relevant for England or Wales\)](#) - administering authorities must implement the recent changes to survivor benefits.
- [Clarification received on annual allowance changes](#) - administering authorities should ensure their processes are in line with HMRC's clarification.
- [PDP launch consultation and call for input on standards and guidance](#) - consider whether to respond to the consultation.
- [Communications Working Group minutes](#) - administering authorities should consider whether they wish to copy any of the text from the COVID-19 FAQs for members to their own website or guides. They will need to do this before 31 August 2022.
- [Transfer out documents updated](#) - administering authorities should review the changes and update their processes.
- [Employer role training \(not relevant for Scotland\)](#) - administering authorities should let their employers know about the places still available.

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

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LGPS England & Wales

FAQs on the cost of living crisis added to member website

We have added frequently asked questions (FAQs) on the cost of living crisis to the member website.

The FAQs cover:

- Where can I find help with money troubles?
- Can I reduce or stop my pension contributions?
- Could pension scams increase?
- Is there any help for pensioners on lower incomes?

You can access these on the [Frequently asked questions](https://www.lgpsmember.org) page of www.lgpsmember.org.

Government confirms academy guarantee will continue

After a reassessment, the Government confirmed on 21 July 2022 in [a written ministerial statement](#) that it will continue to provide the academy guarantee. The annual ceiling will also increase to £20 million.

In 2013, the Government introduced the academy guarantee. The guarantee provides that, in the event of an academy closing, any outstanding liabilities will not revert to the LGPS fund. We covered this in [Bulletin 105](#).

Although there is no end date to the guarantee, the Government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities.

The Scheme Advisory Board in England and Wales has also published [a news article on this](#).

LGPS minister changes

On 6 July 2022, Kemi Badenoch MP resigned from the Government. Kemi Badenoch was Minister of State at the Department for Levelling Up, Housing and Communities. As part of this office, she was responsible for the LGPS.

The Government has recently confirmed that Paul Scully MP has taken over ministerial responsibility for the LGPS.

The Scheme Advisory Board in England and Wales has published [a news article on the changes](#).

SF3 form for 2021/22 published

On 1 July 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published [the SF3 form and guidance for 2021/22](#).

The documents set out the information that administering authorities must provide by Friday 16 September 2022.

DLUHC uses the information collected to provide a benchmark on the administration and fund management. The information is also used in compiling the National Accounts and to show the role of the LGPS in the economy.

[The final SF3 results for 2020/21](#) were published in December 2021.

Action for administering authorities

Provide the information to DLUHC by 16 September 2022.

LGPS Scotland

Survivor benefits guide published

On 13 July 2022, Steven Moseley emailed administering authorities to let them know we have published version 1 of the survivor benefits technical guide.

The guide aims to help administering authorities implement the changes to survivor benefits made by The Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022.

Regulation 4 of those regulations amends the rules on what membership is used to calculate survivor pensions for membership before April 2015. Most of the changes are retrospective, meaning administering authorities will need to revisit past deaths.

The changes are mainly in response to two court cases: [Walker v Innospec](#) and [Mrs Goodwin v Department for Education](#). The changes place surviving same-sex civil partners, survivors of married same-sex couples and male survivors of female married members in a similar position to female survivors of male married members. The changes apply to deaths after 4 December 2005.

The regulations also make several changes to confirm policy intent.

The guide sets out our view on what membership administering authorities should use when calculating survivor pensions for membership before April 2015 for deaths after 4 December 2005. We show the rules separately for each survivor type. We also outline the specific changes made by regulation 4.

You can access the guide on the [administrator guides and documents](https://www.scotlgpsregs.org) page of www.scotlgpsregs.org.

For more information on The Local Government Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2022, see our commentary in [Bulletin 224](#).

Action for administering authorities

Implement the recent changes to survivor benefits.

HMRC

Newsletter 140

On 30 June 2022, HMRC published [pension schemes newsletter 140](#).

The newsletter includes articles:

- clarifying the rules on paying interest and arrears when equalising for guaranteed minimum pensions
- reminding schemes to migrate from the Pension schemes online service to the Managing pension schemes service
- on the expected release in spring 2023 of the event report for tax year 2023/24 on the Managing pension schemes service
- on a new reportable event from April 2023 for certain public service schemes. This will relate to issuing annual allowance statements. HMRC will consult on legislation introducing this new reportable event later this year
- reminding schemes that they can no longer compile and submit accounting for tax returns for any quarter from 1 April 2020 using the Pension schemes online service.

Newsletter 141

On 21 July 2022, HMRC published [pension schemes newsletter 141](#).

The newsletter includes articles:

- covering the technical consultation on resolving the low earners tax relief anomaly (see [below article covering the consultation](#))
- clarifying how to migrate schemes from the Pension schemes online service to the Managing pension schemes service

- reminding schemes that they cannot compile and submit new Accounting for Tax returns for any quarter from 1 April 2020 onwards on the Pension schemes online service
- reminding schemes who need to submit an Accounting for Tax return for the quarter 1 April 2022 to 30 June 2022 that they will need to have migrated the scheme and submitted the return on the Managing pension schemes service by 14 August 2022 to avoid interest and penalties.

Clarification received on annual allowance changes

We recently received clarification from HMRC on the changes to annual allowance rules.

We covered these changes in [Bulletin 223](#). These include new requirements on administering authorities to recalculate annual allowance amounts for previous years in certain situations. Where the recalculation shows an annual allowance excess, the authority must issue a pension savings statement to the member. They must also tell HMRC about this on an event report. In Bulletin 223, we set out that the authority must tell “HMRC within three months of the date they sent the statement to the member, or if later, by 31 January following the tax year to which the [event] report relates.” This reflects regulation 3(9) of the Registered Pension Schemes (Provision of Information) Regulations 2006:

“an event report in respect of reportable event 22, in a case where regulation 14A(6A) or (6B) applies, must be delivered-

- (a) within 3 months of the date of issue of the pension savings statement, or
- (b) if later, on or before 31st January following the tax year to which the report relates.

Our understanding is that “the tax year to which the report relates” refers to the tax year in which the authority issues the statement to the member. For example, an authority issues the statement on 1 October 2023 telling a member they exceeded the annual allowance in tax year 2019/20. The deadline under 3(9)(a) would be 31 December 2023. The deadline under 3(9)(b) would be 31 January 2025. However, we were unsure whether our understanding was correct as it would mean the deadline in 3(9)(a) could never apply. We sought clarification from HMRC.

HMRC confirmed our understanding that in the above example the deadline would be 31 January 2025. They included an article clarifying the deadline in [pension schemes newsletter 140](#). We understand that HMRC will consider amending the regulations to remove the redundant deadline in 3(9)(a).

Action for administering authorities

Ensure your processes are in line with HMRC's clarification.

Technical consultation on resolving low earners tax relief anomaly

On 20 July 2022, HMRC launched [a technical consultation](#) on draft legislation that aims to resolve the tax relief anomaly. The consultation closes on 14 September 2022.

The proposed changes will be included in the next Finance Bill.

The tax relief anomaly affects pension scheme members who earn less than the personal allowance. Whether the member receives any tax relief on their pension contributions depends on the tax relief method used by their scheme. The scheme will either use the 'net pay arrangements' or the 'relief at source' method.

Under the 'net pay arrangements', pension contributions are deducted before income tax is calculated. This means that tax relief is equal to the member's marginal rate. For members whose income is below the personal allowance, the rate is zero per cent. Under the 'relief at source' method, low earners do receive tax relief on their contributions. The LGPS uses the 'net pay arrangements'.

The legislation proposes placing a duty on HMRC to make top up payments directly to eligible members. Eligible members are members who pay into a scheme that uses the 'net pay arrangements' and whose total taxable income is below the personal allowance. HMRC will identify and notify eligible members and invite them to provide the necessary details for the top up payment to be paid direct to their bank account. The duty will apply for the tax year 2024/25 onwards.

The proposals follow an earlier call for evidence on resolving the anomaly from HM Treasury (HMT). The call for evidence ran between 21 July 2020 and 13 October 2020, which we covered in [Bulletin 200](#). We responded to the consultation in October 2020. HMT responded to the consultation in October 2021. You can access the consultation documents and our response on the:

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

GAD

Cost cap results published

On 29 June 2022, the Government Actuary's Department published the results of the first cost cap valuation for LGPS (England and Wales) and LGPS (Scotland).

The cost cap was introduced by the Public Service Pensions Act 2013. The Act requires the setting of an employer cost cap rate against which changes in the cost are to be measured. If the cost changes and falls outside a two per cent corridor above / below the rate, action must be taken to bring the cost back to the rate.

The results of the first valuations show that the cost has remained within the two per cent corridor for both schemes. This means no changes to benefits or member contributions are needed.

The employer cost cap rate for LGPS (England and Wales) is 14.6 per cent. [The results for the valuation as at 31 March 2016](#) show that the cost is 1.2 per cent below the cost cap rate.

The employer cost cap rate for LGPS (Scotland) is 15.2 per cent. [The results for the valuation as at 31 March 2017](#) show that the cost is 0.2 per cent above the cost cap rate.

HMT

The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations 2022

On 13 July 2022, HMT laid [The Public Service Pensions \(Employer Cost Cap and Specified Restricted Scheme\) Regulations 2022](#). The regulations take effect from 3 August 2022.

Regulation three amends The Public Service Pensions (Employer Cost Cap) Regulations 2014. Regulation three of which sets out the specified margins for the cost cap introduced by the Public Service Pensions Act 2013. The specified margins are the margins in which scheme costs must remain before corrective action is taken. The margins are currently set at two percentage points above and below the employer cost cap rate. The new regulations amend this to three percentage points.

Last year, HMT reviewed the cost cap process and announced three changes. We covered the review in [Bulletin 215](#). The new regulations implement one of those changes.

HMT intends that all three changes will be in place for the 2020 cost cap valuation.

TPO

Annual Report and Accounts for 2021/22

On 14 July 2022, The Pensions Ombudsman (TPO) published its Annual Report and Accounts for 2021/22.

For more information, see [the press release announcing the publication](#).

Select Committee approves DWP's preferred candidate for next ombudsman

On 13 July 2022, the Work and Pensions Select Committee met and approved the Department for Work and Pensions' (DWP) preferred candidate for the role of pensions ombudsman and Pension Protection Fund ombudsman.

On 11 July 2022, DWP [announced Dominic Harris as their preferred candidate](#). The appointment was subject to a pre-appointment hearing by the Work and Pensions Select Committee.

Dominic Harris is a Partner in the Pensions Team at law firm CMS. He also serves as Chair of the Investment and Defined Contribution Committee of the Association of Pension Lawyers.

We are waiting for the DWP to confirm the appointment. If appointed, Dominic will replace Anthony Arter, who has held the role since May 2015.

TPO McCloud factsheet published

On 20 July 2022, TPO published [a factsheet on McCloud](#).

The factsheet sets out TPO's views on what affected members and schemes can do now and TPO's present approach to dealing with McCloud complaints.

TPO's general starting position is that it would not investigate McCloud complaints. This is because it acknowledges that the Government is taking steps to address the discrimination with retrospective effect. TPO will, however, carefully look at the facts of each case before deciding whether to investigate. The factsheet sets out examples where TPO may decide to investigate a McCloud complaint now.

TPR

Annual Report and Accounts for 2021/22

On 14 July 2022, TPR published its Annual Report and Accounts for 2021/22.

For more information, see [the press release announcing the publication](#).

Joint statement on transfer regulations

On 5 July 2022, TPR and the DWP issued [a joint statement](#) on the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.

The statement responds to concerns expressed about how the regulations are being applied. In particular, where overseas investments or small-scale incentives feature in the transfer. The concern is that the regulations are causing low-risk transfers to be blocked or delayed.

The statement reminds pension schemes that it was not intended for the regulations to capture transfers that previously caused no concern.

The DWP will consider the concerns when it next reviews the regulations.

To also address the concerns, TPR has updated its [guidance on the regulations](#). The guidance now confirms that the regulations do not prevent schemes making a non- statutory transfer where the regulations prohibit a statutory transfer. For example, where a red flag is present but the pension scam risk is low. Non-statutory transfers are transfers where the member is not entitled to the transfer under the Pension Schemes Act 1993. The pension scheme may for example rely on their scheme rules to pay it. In the LGPS, administering authorities may only pay transfers where the member is entitled to it under the Act. There is an exception to this where the member left before April 1998 with no entitlement to deferred benefits. See our technical guide on transfers out for more information. You can access the guide on the:

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

Pensions dashboards

Blog published from Moneyhub

On 7 July 2022, the Pensions Dashboards Programme (PDP) published [a blog from Dave Tonge, Chief Technology Officer at Moneyhub](#).

Moneyhub has been helping the PDP develop pensions dashboards.

In the blog, Dave reflects on a key lesson from the alpha build phase, how multiple dashboards will help consumers and the importance of the upcoming beta testing phase.

Dashboard Accuracy Data Guidance

On 4 July 2022, the Pensions Administration Standards Association published [the Dashboard Accuracy Data Guidance](#).

The guidance highlights the importance of regularly testing data for accuracy. This is particularly important for data that pension schemes will use when matching requests from the dashboards. The guidance provides information on how schemes could test their data and what data sources they could use.

DWP responds to consultation on the draft pensions dashboards regulations

On 14 July 2022, the Department for Work and Pensions (DWP) [responded to the consultation on the draft Pensions Dashboards Regulations](#).

DWP has also published [a summary of the key policies](#). The summary reflects the response to the consultation.

DWP consulted on the regulations between 31 January 2022 and 13 March 2022, which we covered in [Bulletin 220](#). We responded to the consultation in March 2022.

The key areas of the response that affect LGPS administering authorities are set out below. DWP will amend the draft regulations ('the Regulations') to reflect the response. We expect DWP to lay the Regulations before Parliament in autumn.

Staging deadline

The staging deadline for the LGPS and all other public service pension schemes will be deferred from 30 April 2024 to 30 September 2024.

Schemes will be expected to meet the required standards (connection, security and technical) by 30 September 2024. They must also, by that date, be able to respond to find requests, complete matching and provide administrative and signpost data on request.

Administering authorities will need to be able to provide value data (accrued and projected values) by 1 April 2025. Though they can provide this earlier if they wish.

Provision of value data from an annual statement

To accommodate fluctuations in the delivery of annual statements, value data will be derived from a statement provided to the member within the last 13 months. This is a change from the initially proposed 12 months.

Provision of value data for new members

The draft Regulations specifically provide for giving administrative data to new members but were silent on providing value data. A new member is defined within the draft regulations as a member who seeks view data within three months of joining a scheme.

The Regulations will be amended to cover value data for new members. The amendment will confirm that schemes should give value data to new members as soon as is practicable but no later than the earlier of:

- the point at which the first statement is produced for that member, or
- within 12 months of the end of the first scheme year in which the member joined the scheme.

Matching

DWP will amend the regulations to clarify what schemes must do when they return a possible match.

If a scheme is not confident that they can identify a match (because not all the matching criteria has been met), they should return a possible match. The intention is for schemes to provide a limited form of administrative data (such as the scheme's name and the administrator's details) with an error message. No personal details should be returned. The individual will then need to contact the scheme to find out if a full match can be made. If the individual:

- does not then contact the scheme within 30 days, the scheme must delete the find request
- does contact the scheme within 30 days and the scheme cannot resolve a match within a reasonable period (to be defined in matching guidance), the scheme must delete the find request
- does contact the scheme within 30 days and the scheme concludes a match is made, the scheme must re-register the pension identifier (PeI) from a possible match to a 'match made'. The scheme must then return the value data in line with the proposed timescales.

Management information and reporting

The existing proposals set out what management information administering authorities must provide on request to the Money and Pensions Service (MaPS), the Pensions Regulator or the Financial Conduct Authority. This includes information on the number of find requests, the matching process, positive matches, possible matches, view requests, queries and complaints. The Regulations will be amended to include a provision for more granular information to be provided for audit purposes.

Providing LGPS AVC data

The MaPS data standards, currently subject to consultation, propose for the scheme to decide whether to allow the AVC provider to return data in respect of an AVC plan. Alternatively, the scheme could gather the data from the AVC provider and present it alongside the scheme benefits.

The consultation response states that, in practice, DWP expects the data will be made available to the dashboards by the AVC provider. However, scheme managers and trustees are still legally accountable for ensuring this happens and should work with their AVC provider(s) accordingly.

Annualised accrued value – impacting on LGPS AVCs

To help individuals put into context and better understand their current defined contribution money pot, schemes will be required to provide annual income amounts as well as pot values. Amendments will be made to the FCA guidance to accommodate this provision.

Changing normal pension age to retirement date

References to ‘normal pension age’ will change to ‘retirement date’. The ‘retirement date’ will have the same meaning as that set out in regulation 19(5) of the Disclosure Regulations 2013. This is either a date specified by the member and agreed by the administrators, or a date agreed by the administrators where no acceptable date is specified.

This is intended to give flexibility to those schemes who do not provide annual statements with reference to normal pension age. Also, it will be helpful to dashboard users who are above their normal pension age.

You can access the consultation documents on the:

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

LGA response to further consultation on pensions dashboards

On 19 July 2022, we responded to the further consultation on pensions dashboards.

DWP launched the further consultation on 28 June 2022. We covered this in [Bulletin 226](#). The consultation included proposals on the 'Dashboard Available Point' (DAP).

In our response, we call for the Government to:

- commission market research on how many people are likely to connect to dashboards when they go live
- consider phasing publicising the DAP, possibly by age or region
- consider providing easements during the initial period after the DAP.

Our response can be found on the:

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

PDP launches consultation and call for input on standards and guidance

On 19 July 2022, the Pensions Dashboards Programme (PDP) launched a [consultation on dashboard standards and guidance](#), and [a call for input on the design standards](#). Both the consultation and the call for input will close on 30 August 2022.

Standards and guidance

The standards detail how pension schemes and dashboard providers operationally, technically or in practice must meet their dashboard duties. The following six standards are published for consultation:

- data standards
- operational standards
- reporting standards
- security standards
- service standards
- technical standards (this comprises of the technical standards, the API standards and technical overview guidance).

The guidance provides further requirements that pension schemes must have regard to when complying with their dashboard duties. The following three sets of statutory guidance have been published for consultation:

- connection guidance
- data usage guide
- early connection guidance.

Call for Input on design standards

The PDP also launched a call for input on design standards.

The design standards will provide information to dashboard providers, as well as data providers, about required layouts, content elements, messaging and user journeys, to ensure a consistently positive experience for users, regardless of which dashboard an individual chooses. PDP is running the call for input to get feedback and thoughts on their developing ideas for Qualifying Pensions Dashboards design standards from the pensions industry and consumer groups.

Following this call for input, a consultation on the final design standards will run for six weeks.

Support webinars

To support respondents, the PDP hosted three webinars:

- Introduction to standards and the consultation – 21 July 2022
- Connecting to the pensions dashboards ecosystem – 25 July 2022
- Operating within the pensions dashboards ecosystem – 26 July 2022.

You can access the consultation documents on the:

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

Action for administering authorities

Consider whether you wish to respond to the consultation.

Pensions Dashboard (Prohibition of Indemnification) Bill

On 15 July 2022, Guy Opperman MP, Pensions Minister, confirmed that the Government will support the Pensions Dashboards (Prohibition of Indemnification) Bill. This confirmation was given during the Bill's Second Reading in the Commons.

The Bill is a private members' bill and is sponsored by Mary Robinson MP. Most types of private member bills have little chance of becoming law without the Government's support.

The Bill will prohibit trustees and managers of occupational and personal pension schemes from being reimbursed out of scheme assets for any penalties imposed on them under the dashboard regulations.

The Bill will apply to England, Scotland and Wales. Also, officials at the Northern Ireland Executive have indicated that they would like the changes to apply to Northern Ireland.

See [the Bill's page](#) on www.parliament.uk for more information.

‘Prepare, connect, comply...and then what?’ webinar

The PDP recently held a webinar with Heywood Pension Technologies. The webinar was called ‘Prepare, connect, comply...and then what?’.

The PDP has published [a summary of the main topics discussed](#). The summary also includes a link to the webinar recording.

The PDP has also published [a video interview](#) between Chris Curry, PDP’s Principal, and Chris Connelly, Head of Propositions at Heywood Pensions Technologies. The interview explores their experience so far as an alpha participant.

Webinar for potential dashboard providers

Chris Curry, PDP Principal, recently hosted a webinar. The webinar provided updates for those interested in becoming a dashboard provider.

The PDP also published [a summary of the main topics relevant for dashboard providers](#). The summary included a link to the webinar recording.

Other news and updates

2022 National Knowledge Assessment

Following [the 2020 LGPS National Knowledge Assessment](#), Hymans Robertson will run their benchmark knowledge and skills assessment again this September. The assessment is aimed at pension Committees and local pension boards.

Administering authorities will be able to gain an understanding of the knowledge levels of both groups and how that compares with their peers. Questions will be split between technical, decision making and roles and responsibility, providing further information to administering authorities to aid the development of training plans.

You can find more information about the assessment, including a link to register interest, on [the relevant page of Hymans Robertson's website](#).

Commenting on the 2022 assessment Councillor Roger Phillips, SAB (England and Wales) Chair, said:

“We very much welcome the follow up assessment which will enable the Board, pension committees, local pension boards and other scheme stakeholders to assess and compare the levels of knowledge across key sectors since 2020.”

Communications Working Group minutes

The Communications Working Group met on 5 July 2022. We published the minutes on 11 July 2022.

Topics discussed at the meeting included:

- current working practices
- feedback about the new member website
- the news section on the member website
- the digital engagement project
- member engagement
- what communications the group will produce for McCloud
- update from the Joint communication group
- work plan
- chasing information from employers.

The Group asked us to remind administering authorities about a previous article we included in [Bulletin 211](#). The article is called ‘Making ABSs for active members available on a website’. The article sets out our understanding of what administering authorities must do to comply with the Public Service Pensions (Information about Benefits) Directions 2014. This includes that, in our view, administering authorities could make members aware annual benefit statements are available on a website via the employer. When doing so, administering authorities should satisfy themselves that the employer is able and willing to contact all relevant employees.

The Group agreed to remove the [COVID-19 FAQs for members](#). We will do this on 31 August 2022. If administering authorities wish to retain the COVID-19 FAQs for their members, they may copy any of the text to their own website or guides. When the FAQs are deleted, authorities will also need to amend any links to the FAQs.

The Group will next meet on 6 September 2022.

You can access the minutes on the:

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

Action for administering authorities

Consider whether you wish to copy any of the text from the COVID-19 FAQs for members to your own website or guides. You will need to do this before 31 August 2022.

Cost cap control judicial review given permission to be heard

On 4 July 2022, the Fire Brigades Union and the British Medical Association were given permission to judicially review the UK Government's decision to include McCloud remedy costs in the 2016 cost control valuations. The cases will be heard together.

Though the case will look at the firefighters' and NHS pension schemes, the outcome may have an impact on the LGPS. This is because the first cost control valuations in the LGPS also included the McCloud remedy costs. See earlier article for the results of the first LGPS cost control valuation.

No date has been set for when the case will be heard.

Cyber Risk Made Simple Guide

The Pensions and Lifetime Savings Association (PLSA) has recently published [‘Cyber Risk Made Simple Guide’](#). PLSA produced the guide in partnership with Aon and Crowe.

The guide explains the nature of the cyber threat to pension schemes. It also outlines 15 actions pension schemes may wish to take in response.

McCloud update from DLUHC

On 27 July 2022, Steven Moseley sent the following update to administering authorities in England and Wales and software suppliers on behalf of the Department for Levelling Up, Housing and Communities (DLUHC).

Earlier this year, the Public Service Pensions and Judicial Offices Act 2022 (“the 2022 Act”) received Royal Assent. The 2022 Act provides powers for the Government to rectify the McCloud age discrimination across all affected public service pension schemes. In DLUHC, work continues on the steps to rectify the discrimination as it affects the LGPS in England and Wales. Later this year, we intend to publish the Government's response to [our 2020 consultation](#), in which we'll set out our decisions on the matters covered in that consultation. After the publication of the Government

response, the Scheme Advisory Board will resume their McCloud implementation groups (including representatives of different LGPS stakeholders), and the Department will attend those meetings.

Alongside the Government response, we intend to publish an updated version of the draft regulations implementing the McCloud remedy. The updated draft regulations will reflect the new powers in [Chapter 3 of Part 1](#) of the 2022 Act governing the statutory underpin, as well as technical feedback we received at the 2020 consultation and any changes in policy. To ensure the updated draft regulations are accurate in light of the changes made, they will be subject to a further period of consultation early in 2023. At that time, we will also consult on other aspects of the McCloud remedy which did not feature in our original consultation (for example, compensation and rates of interest). The regulations will be made later in 2023 and will come into force on 1 October 2023. We intend to issue statutory guidance on the implementation of McCloud in 2023 following a period of consultation.

This approach will ensure that the regulations, when made, will reflect all aspects of the remedy and have been appropriately scrutinised. We would encourage LGPS administrators to begin taking steps towards the implementation of McCloud remedy following the publication of the Government response, and will shortly be holding a meeting with software suppliers to discuss the implementation of the McCloud remedy to this timetable.

The Scottish Public Pensions Agency expect to follow a similar approach and we expect Scottish Ministers will bring forward equivalent legislation in Scotland to the same timescales. We expect the Department for Communities in Northern Ireland will also follow, as closely as possible, the same approach and timeframe when introducing equivalent legislation for the LGPS (NI).

Online pension surgeries

We delivered our second online pension surgery on 6 July 2022. Over 130 people attended the hour long surgery covering Stronger Nudge.

We would like to thank everyone who attended and participated. The surgery was structured around questions from the participants submitted before and during the event. Feedback from the event has been very positive.

Transfer out documents updated

On 21 July 2022, Jayne Wiberg emailed administering authorities to let them know we have published version 2.2 of the Non-Club Transfers Out Technical Guide and version 1.2 of the transfers out QROPS addendum.

On the same day, we also published version 2 of the Pensions Regulator's (TPR) transfer warning letter. This replaces TPR's COVID-19 transfer warning letter that was published in June 2020. It has been amended specifically for the LGPS.

Non-Club Transfer Out guide changes – version 2.2

We have changed the guide to:

- reflect that the TPR COVID-19 transfer warning letter is now the TPR transfer warning letter – see changes below
- make clear that where a deferred member has deferred benefits in different LGPS funds, administering authorities must apply the Conditions for Transfer rules in aggregate to the deferred benefits. Administering authorities will need to work together to ensure that any additional information requested is only requested once. The same principle equally applies to pension credit members with more than one credit or members with more than one AVC fund
- note that where the administering authority decides a red or amber flag is present but a scam risk is low, the authority cannot choose to pay a non-statutory transfer. TPR has updated their guidance to reflect that this might be possible but only where the scheme rules allow. The payment of non-statutory transfers to a non-club scheme is not permitted from the LGPS, bar one exception in relation to deferred refunds
- confirm that members will not be able to search the MoneyHelper website to book a scams guidance session. Administering authorities should provide the link to the member
- include more information on what administering authorities should do if they become aware of a pension scam together with reference to the new guide from TPR on reporting pension scams
- include a new paragraph within the Cash Transfer Sum (CTS) section titled 'Must any AVCs built up in the same employment as the deferred refund be transferred?'. The new paragraph confirms that where this is the case, the AVCs must be transferred at the same time as the CTS
- update the meaning of 'Independent' within the definition of 'Appropriate Independent Advice'
- reflect an update to TPR guidance concerning red flag five. Red flag five covers members being offered incentives to transfer. The TPR guidance

says that where a particular incentive is not included within the regulations, TPR expects you to assess whether the incentive is one that indicates a heightened scam risk.

Transfers out QROPS addendum changes – version 1.2

We have updated the addendum to reflect that TPR guidance now states that the residency link should be assessed on the date the administering authority receives the election to transfer.

TPR transfer warning letter – version 2.0

TPR updated their COVID-19 transfer warning letter to be simply a 'transfer warning letter' that should accompany all transfers. The letter has been revised to remove references to COVID-19 and the fact that 'legislation gives the member a right to transfer'. The 'right to transfer' has been removed to reflect the changes brought about by the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.

You can access the transfer out guide and the QROPS addendum on the:

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

You can access the TPR transfer warning letter on the:

- [The Pensions Regulator](#) page of www.lgpsregs.org
- [The Pensions Regulator](#) page of www.scotlgpsregs.org.

Action for administering authorities

Review the changes and update your processes.

Training

Employer role training

There are still places available on the employer role training we will run in September online.

Use the links below to see more information about the training and make a booking. Please let your employers know about the training.

[Employer role training - 13 September 2022 Online](#)

[Employer role training - 20 September 2022 Online](#)

Action for administering authorities

Let your employers know about the places still available.

Fundamentals 2022

Our Fundamentals training programme for this year is proving very popular.

The training will be run face to face in two locations, London and Birmingham and we will also be running a separate online session.

Fundamentals is a three-day training course aimed at elected members and others who attend pension committees/panels and local pension boards. Attending all three days will assist delegates in meeting the relevant requirements for knowledge, skills and understanding either required in statute or encouraged by relevant guidance. Each day has a different theme and will include sessions delivered by experts in their field. The event also provides delegates with valuable networking opportunities. Early booking is recommended as places are limited. We are unable to take manual bookings.

Each event below has a link to take you directly to the booking page of that session.

[Fundamentals Day 1 – 18 October 2022 online](#)

[Fundamentals Day 1 – 20 October 2022 Westminster](#)

[Fundamentals Day 1 – 27 October 2022 Birmingham](#)

[Fundamentals Day 2 – 10 November 2022 Westminster](#)

[Fundamentals Day 2 – 16 November 2022 Birmingham](#)

[Fundamentals Day 2 – 22 November 2022 online](#)

[Fundamentals Day 3 – 6 December 2022 Westminster](#)

[Fundamentals Day 3 – 14 December 2022 Birmingham](#)

[Fundamentals Day 3 – 20 December 2022 online](#)

The booking page for all LGA events is: www.local.gov.uk/events.

LGPS Governance Conference 2023

Booking is now open for the LGPS Governance Conference 2023.

The conference is taking place on 19-20 January 2023 at the Cardiff Marriott Hotel. You can attend the conference in person or join us online.

The conference is aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected

members, trades union representatives, member and employer representatives, as well as a variety of officers who attend and support committees.

You can book and view the programme using the links below. An updated programme with confirmed speakers will be published shortly. Please note we do not take manual bookings.

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

Legislation

Statutory Instruments

[The Public Service Pensions \(Employer Cost Cap and Specified Restricted Scheme\) Regulations 2022](#) [SI 2022/787]

Useful links

[LGA Pensions page](#)

[LGPS member website \(England and Wales\)](#)

[LGPS member website \(Scotland 2015\)](#)

[LGPS Advisory Board website \(England and Wales\)](#)

[LGPS Advisory Board website \(Scotland\)](#)

[LGPS Regulations and Guidance website \(England and Wales\)](#)

[LGPS Regulations and Guidance website \(Scotland\)](#)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

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Further information

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LGPC Bulletin 228 – August 2022

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

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

- [TPO seminar on the ill health process](#) (LGPS Scotland)
- the latest [updates on pensions dashboards](#)
- a [Supreme Court decision concerning term-time workers](#)
- national [pension awareness campaigns](#)

which need action by certain stakeholders.

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

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LGPS England & Wales Scheme Advisory Board (SAB)

SAB update

You can use the links below to find out about the latest updates on the work of the SAB and its committees:

- the latest [SAB meeting and agenda papers](#)
- the latest [committee meetings and agenda papers](#)
- the latest [Responsible Investment Advisory Group meetings and agenda papers](#)
- the [latest news items](#).

LGPS Scotland

TPO seminar on ill health process

Representatives from the Pensions Ombudsman (TPO) will be running a seminar on the ill health process. This will allow administering authorities, Scheme employers and occupational health (OH) providers to ask any questions they have about the process, roles and responsibilities.

The seminar will be on Thursday 22 September 2022, 11.00 am to 12.00 pm, with a second session for those unable to make that date at 11.00 am to 12.00 pm on Tuesday 4 October 2022.

The Scottish Public Pensions Agency will send out invitations nearer the time.

Action for administering authorities

Share the details of the seminars with your employers and OH providers.

TPO

TPO publishes corporate plan

[The Pensions Ombudsman's \(TPO\) corporate plan for 2022 to 2025](#) has been published. The corporate plan outlines TPO's key performance indicators, strategic goals and priorities for the period, along with the actions required to deliver those priorities.

Webinar – how to avoid the Ombudsman

TPO has re-scheduled its webinar on how to avoid the Ombudsman that was due to take place in July. The webinar will now take place at 11.00 am on

14 September 2022. The session will run for 45 minutes, which includes 15 minutes for audience questions. You can [register for the webinar](#) online.

TPR

TPR publishes scam prevention strategy

The Pensions Regulator (TPR) has published a new [strategy to combat pension scams](#). The strategy sets out TPR's plan to combat pension scams. It will tackle the scourge of scammers by:

- educating savers about the threat that scams present
- encouraging higher standards and preventing practices that lead to saver harm
- fighting fraud through the prevention, disruption and punishment of criminality.

The strategy supports and complements the work of the Pension Scams Action Group (PSAG – formerly Project Bloom). The strategy sets out the importance of pension schemes protecting savers by being proactive in providing pension scams warnings, driving improvements in protection standards and reporting potential crimes to the authorities.

You can read more about the launch of the strategy in the [TPR press release](#).

Pensions dashboards

DWP confirms frozen refunds are out of scope for initial dashboards

On 3 August 2022, the Department for Work and Pensions (DWP) confirmed that frozen refunds will be out of scope for initial dashboards because they are not considered to be member benefits. Joe Stacey from DWP went on to say:

“This does not mean they cannot be included at some point in the future but for now we've had to prioritise getting the regulations right for the benefits that are in scope.

We'll keep this logged as an issue to look at again at the next suitable juncture. We want to legislate for schemes with fewer than 100 relevant members at some point, so there is bound to be further dashboards regulation in the not too distant future.”

We expressed our disappointment and informed DWP that we will keep them updated about any issues this creates for the LGPS when we first start receiving find requests.

Guidance on Value Data for pensions dashboards

The Pensions Administration Standards Association (PASA) has published [Guidance on Value Data for pensions dashboards](#). PASA recognises that the regulations are yet to be finalised and that some uncertainty remains. The guidance includes a checklist of steps administrators can take now, despite these uncertainties. These steps will help administrators to:

- gain an understanding of what the Value Data requirements mean for their scheme
- identify where gaps exist, what the options are for filling those gaps and whether they should wait to see DWP's final regulations before making a decision
- decide if there is work they can do in advance of the designated staging date.

As we reported in [Bulletin 227](#), public service pension schemes will have to provide Value Data to pensions dashboards by 1 April 2025, although they can supply it earlier if they choose to.

You can read more about the launch in the [PASA press release – Value Data guidance](#).

Data matching guidance updated

PASA has updated its guidance on dashboards data matching conventions. The [PASA dashboards data matching conventions guidance](#) was originally issued in December 2021. It has been updated to include a call to action, set out the next steps being worked on and provide links to other industry guidance.

You can read more about the updates and the reasons for them in the [PASA press release - DMC guidance](#).

LGA response to PDP's consultation and call for input on standards and guidance

We responded to this consultation on 31 August 2022.

The Pensions Dashboards Programme (PDP) launched the consultation on 19 July 2022. We covered this in [bulletin 227](#).

In our response, we call on PDP to:

- include a flow chart and checklist to assist pension schemes understand their responsibilities when they use a third-party Integrated Service Provider (ISP) to connect to the dashboard ecosystem
- make it mandatory for users to input their national insurance number in the find data
- be mindful that the LGPS has a different McCloud remedy to the unfunded public service schemes. Any McCloud warnings or wording will need to cover the unfunded schemes and the LGPS
- make it clear to users that frozen refunds are not included on pensions dashboards
- provide more information on how the complaints procedure will work.

We also expressed concern about the proposed timeframe of 30 days for connecting via a third-party connection because of the number of funds and other public service schemes that use the same pension software providers.

Our response can be found on the:

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

PDP webinars – standards consultation

The Pensions Dashboards Programme (PDP) ran a series of webinars in July to assist interested parties who were preparing a response to the Pensions dashboards standards consultation.

You can find links to [recordings of the PDP webinars on the standards consultation](#) on the PDP website.

Other news and updates

HMT consultation on public sector exit payments

On 8 August 2022, HM Treasury (HMT) launched a [consultation on public sector exit payments](#). The Government is proposing to introduce:

- an expanded approval process for employee exits and special severance payments
- additional reporting requirements.

The guidance is intended to apply to all bodies that are classified as ‘Central Government’. This **does not** include local authorities or bodies under devolved administrations. The guidance will apply to academies.

The new approvals requirement would apply to decisions made by employers to agree to an exit where the total payment to be made would be more than £95,000. This includes relevant statutory, contractual or discretionary payments. This would include any strain cost where an LGPS member aged over 55 leaves due to redundancy or efficiency. A further approval will be needed if special severance payments – payments in excess of contractual obligations – are to be offered.

Employers will need to report any exit to HMT if the total payments made in relation to it exceed £95,000.

You can find more information about the proposals in the [draft HMT guidance on public sector exits](#).

The consultation closes on 17 October 2022.

Digital engagement guide published

On 2 August 2022, we published a technical guide to digital engagement. We worked with the Communications Working Group to produce the guide. We would like to extend our sincere thanks to the group members for all their hard work on this project.

The purpose of the guide is to assist administering authorities as they make decisions on developing their online presence. Those may be decisions about the earliest stages of launching a portal or developing or promoting a facility that they have operated for many years.

You can find the technical guide to digital engagement on the:

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

Supreme Court decision concerning term time workers

The Supreme Court has ruled in favour of a zero hours contract worker who works on a term-time only contract in a school. The case concerned how to calculate their holiday pay. It also has implications for workers who work varying hours during only certain weeks of the year but have a continuing contract.

The employer adopted a policy of adding 12.07 per cent to the worker's pay to cover their holiday pay entitlement. The Supreme Court ruled that it was wrong to do so. The holiday pay should instead have been based on the worker's pay for the relevant period, with any weeks of nil pay ignored. The relevant period in relation to this claim was 12 weeks. This has since been changed to 52 weeks.

LGPS Scheme employers may be reviewing their policy on calculating holiday pay for members in this category in light of this judgment. They may wish to seek specialist legal advice to establish whether to change their current practices and whether any backdated payments are due.

You can read more about the [Harpur Trust v Brazel](#) case, including a useful summary of the judgment on the Supreme Court's website.

Action for administering authorities

Share the details of the case with Scheme employers.

Transfer and liberation guidance

On 1 August 2022, Jayne Wiberg emailed pensions managers with pensions transfer and liberation guidance. This was produced by Eversheds Sutherland.

We instructed Eversheds Sutherland to produce the guidance at the request of the National LGPS Technical Group. The group agreed that a historical timeline of pension scam information would be useful when dealing with appeals.

As agreed by the group, we sent the guidance directly to LGPS pension managers only. We will not publish it online.

Action for administering authorities

If you are a pension manager and you have not received a copy, please email query.lgps@local.gov.uk.

Pension sharing for members with CARE and final salary benefits

We have received a number of queries recently about pension sharing orders that specify a different percentage share for final salary and CARE benefits. Although it is more common for the same percentage split to apply to all the member's LGPS benefits, the regulations do allow different percentages to apply.

If you receive a pension sharing order that specifies a different percentage share for final salary and CARE benefits, you should implement it as the court has instructed. You may need to contact your software supplier to find out how to update the member's record to reflect the different percentage shares.

Regulations 20(3) and 20(4) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 are quoted below. The wording of Regulations 20(3) and 20(4) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 is almost identical. Any differences are shown in square brackets.

(3) Where a pension sharing order requires a pension debit in respect of a percentage of a member's pension benefits, any benefits accrued in the Earlier Schemes or 2014 Scheme [2015 Scheme in Scotland] shall be debited by the same percentage unless the order specifies otherwise, with the debit being calculated in accordance with actuarial guidance issued by the Secretary of State [Scottish Ministers in Scotland].

(4) Where a pension sharing order requires a pension debit in terms other than a percentage share of a member's pension benefits, the debit is to apply in proportion to the cash equivalent transfer value of the benefits accrued within the Earlier Schemes and the 2014 Scheme [2015 Scheme in Scotland] unless the order specifies otherwise.

GAD guidance on pension debits confirms that the same percentage should be applied to each 'tranche' of LGPS benefits, except where the pension sharing order specifies otherwise. Please see:

- Paragraph 3.6 of LGPS (England and Wales) guidance on application of a pension debit for divorced members dated 11 June 2020, and
- Paragraph 3.6 of LGPS (Scotland) guidance on application of a pension debit for divorced members dated 18 March 2020.

You can find this GAD guidance and all other GAD guidance currently in operation on:

- the [Actuarial guidance](http://www.lgpsregs.org) page of www.lgpsregs.org
- the [Actuarial guidance](http://www.scotlgpsregs.org) page of www.scotlgpsregs.org.

Action for administering authorities

Review your pension sharing processes to make sure that they allow a different percentage share to apply to final salary and CARE benefits. Contact your software supplier for advice on any system issues.

Retirement at age 75 and commutation options

If a member's benefits have not been put into payment before age 75, a benefit crystallisation event (BCE 5) occurs on their 75th birthday. The amount crystallising is based on the standard benefits. A further BCE does not occur when the member takes their pension.

In our view, the fact that a BCE occurred on the member's 75th birthday does not prevent the member from electing to exchange pension for lump sum after that date. There is one exception. Members of the LGPS in Scotland who left after

31 March 2015 do not appear to be able to elect to exchange pension for lump sum after their 75th birthday. This is because regulation 32(1) of the LGPS (Scotland) Regulations 2018 requires the member to make their election before the BCE.

If the member is able to and chooses to exchange part of their pension for a tax-free lump sum, the capital value of their benefits will be different from the amount crystallised at age 75. That earlier BCE should not be re-visited. The percentage of lifetime allowance used up and any lifetime allowance tax charge must be based on the standard benefits at age 75.

We are aware that we have previously expressed the opinion that a member in this position always loses the right to exchange pension for lump sum in response to earlier queries.

LGPS benefits first paid after age 75 are not unauthorised. However, paying benefits after age 75 is technically a breach of the Scheme rules. If such a breach occurs and you consider it to be materially significant, you must report it to the Pensions Regulator.

National LGPS Frameworks news bulletin

National LGPS Frameworks has published the [August 2022 edition of the National LGPS Frameworks news bulletin](#). The news bulletin includes important updates about:

- the second iteration of the stewardship services framework that went live in May 2022
- the new pensions administration operational support services framework that went live in May 2022
- the planned launch of the third iteration of the investment management consultancy services framework in November 2022
- the planned launch of the third iteration of the legal service framework in January 2023
- the nine live frameworks available to all LGPS administering authorities
- the importance of completing a contract award before the expiry date of the framework.

Training

Annual and lifetime allowance – practitioner training

We recently announced that we will be running training on annual allowance and lifetime allowance in October and November. At the time of writing, places at the dates we announced are nearly all sold out.

We will put on more courses in response to the demand for this training. If you would like to register your interest in attending this training, please email elaine.english@local.gov.uk by **23 September 2022**. Please let us know:

- how many places you would like
- whether you want to book an in-person or virtual session
- which administering authority you represent.

We will use this information to decide how many additional courses we will offer, and the location of any in-person sessions. Any additional courses will be offered to those on the waiting list before being advertised. We will do our best to accommodate all requests, but it may not be possible to satisfy everyone's requirements.

Cost

In person - £270 plus VAT per session. The price includes lunch, refreshments and all delegate materials.

Online - £230 plus VAT per session. The price includes the course notes in pdf format.

Online practitioner and employer training

Our practitioner and employer training courses are limited to a maximum of 15 attendees. This is to ensure that everyone has sufficient opportunity to interact with the trainer and other attendees. For this reason, and as a revenue protection measure, we ask that all attendees have their cameras turned on for the duration of the training.

Action for administering authorities and employers

Please make sure your staff are aware they will need to keep their cameras turned on for the duration of any online practitioner and employer training.

Fundamentals 2022

Our Fundamentals training programme will be run face to face in London and Birmingham, and we will also run a separate online session.

Fundamentals is a three-day training course aimed at elected members and others who attend pension committees/panels and local pension boards. Attending all three days will assist delegates in meeting the relevant requirements for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.

Each day has a different theme and will include sessions delivered by experts in their field. The event also offers valuable networking opportunities. We recommend early booking because places are limited. We are unable to take manual bookings.

Each event below has a link to take you directly to the booking page for that session.

[Fundamentals Day 1 – 18 October 2022 online](#)

[Fundamentals Day 1 – 20 October 2022 Westminster](#)

[Fundamentals Day 1 – 27 October 2022 Birmingham](#)

[Fundamentals Day 2 – 10 November 2022 Westminster](#)

[Fundamentals Day 2 – 16 November 2022 Birmingham](#)

[Fundamentals Day 2 – 22 November 2022 online](#)

[Fundamentals Day 3 – 6 December 2022 Westminster](#)

[Fundamentals Day 3 – 14 December 2022 Birmingham](#)

[Fundamentals Day 3 – 20 December 2022 online](#)

The booking page for all LGA events is: www.local.gov.uk/events.

LGPS Governance Conference 2023

Booking is now open for the LGPS Governance Conference 2023.

The conference will take place on 19 and 20 January 2023 at the Cardiff Marriott Hotel. You can attend the conference in person or join us online.

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

You can book and view the programme using the links below. An updated programme with confirmed speakers will be published shortly. Please note we do not take manual bookings.

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

The booking page for all LGA events is www.local.go.uk/events.

Wider landscape

Collective Money Purchase Schemes launched

A new type of pension scheme officially opened for applications on 1 August 2022. Collective Money Purchase Schemes (also known as Collective Defined Contribution or CDC schemes) are designed to provide improved retirement returns for savers with more predictable costs for employers. The new schemes were made possible by the [Pension Schemes Act 2021](#).

A transfer to a CDC scheme would satisfy the first condition for the purposes of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. TPR will publish a list of authorised CDC schemes. We expect that Royal Mail will be the first organisation to launch a CDC scheme.

You can read more about the conditions for transfers and other rules affecting transfers out of the LGPS in the Non-Club transfer out technical guide. You can find the guide on the:

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

We expect the DWP to consult on introducing new types of CDC schemes later in 2022. You can read more about the launch in the [DWP press release on CDC schemes](#).

Government launches Public Sector Fraud Authority

The [Government has launched the Public Sector Fraud Authority](#) (PSFA) to tackle fraud committed against public funds.

The PSFA aims to modernise the Government's counter-fraud response. It will work with public bodies to test their fraud defences and help them build stronger safeguards.

The PSFA builds on the success of the National Fraud Initiative which detected and prevented more than £200 million of public sector pension fraud between 2020 and 2022.

Pension awareness campaigns

Pension Awareness Day takes place on 15 September 2022. You can find a timetable of live events for members that will take place between 12 and 16 September 2022 on the [Pension Awareness Day website](#).

The [pension awareness 2022 promotional toolkit](#) includes posters, leaflets and other resources that you and your employers can use to promote the campaign to Scheme members.

The Association of British Insurers (ABI) and the Pensions Lifetime Savings Association (PLSA) are leading a campaign to boost the nation's 'Pension Attention'. The campaign will run from September to November.

You can find files and guidance for the Pay Your Pension Some Attention brand and logo on the [ABI website](#).

We will be adding an article to the [LGPS \(England and Wales\) member website](#) about the national campaigns shortly.

Consultation on civil service compensation scheme

The Government published a supplementary [Consultation on reform of the Civil Service Compensation Scheme 2017](#) on 15 August 2022. The consultation has been ongoing since 2017. The consultation seeks views on reforms to the Civil Service Compensation Scheme, including:

- changes to the maximum payments made under compulsory redundancy, voluntary redundancy and voluntary exit
- allowing employer-funded top-up to pension from age 56 to track ten years behind State Pension Age
- clawback arrangements for those who return to an organisation that uses the Civil Service Compensation Scheme within six months of receiving a compensation payment.

These proposals do not apply to local government. We expect DLUHC to introduce amendments to the regulations covering LGPS members in England and Wales to limit exit payments. We await details of how that will be achieved.

Legislation

Statutory Instruments

[The Finance Act 2021, Schedule 5 \(Pension Schemes: Collective Money Purchase Benefits\) \(Appointed Day\) Regulations 2022](#) [SI2022/874]

Useful links

[LGA Pensions page](#)

[LGPS member website \(England and Wales\)](#)

[LGPS Advisory Board website \(England and Wales\)](#)

[LGPS Advisory Board website \(Scotland\)](#)

[LGPS Regulations and Guidance website \(England and Wales\)](#)

[LGPS Regulations and Guidance website \(Scotland\)](#)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

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Further information

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LGPC Bulletin 229 – September 2022

Local Government Pensions Committee (LGPC)
Secretary, Lorraine Bennett

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

- [Data collection for colleges](#) – provide GAD with the information requested by 21 October 2022.
- [Survey on funding strategy statement guidance](#) – complete the survey.
- [New Scottish member website and LGPS brand](#) – update communications.
- [Your LGPS contacts](#) – make sure your contacts are up to date.

which need action by certain stakeholders.

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

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LGPS England & Wales Scheme Advisory Board (SAB)

Data collection on colleges

On 23 September 2022, Jeremy Hughes emailed managers at administering authorities. Jeremy sent the email on behalf of Teresa Clay, Head of Pensions at the Department for Levelling Up, Housing and Communities (DLUHC) and Joanne Donnelly, Scheme Advisory Board Secretary.

The email sets out a request from the Department for Education (DfE) for additional data on colleges. It provides further information on the data request, including what data is needed and how to provide it. The request follows recent discussions with DfE, SAB and DLUHC.

DfE will use the data to better understand Colleges' funding requirements and consider the merits of providing additional covenant assurances. For example, a guarantee like that provided for academies. Commissioning of the work is not an indication that a guarantee will be automatically provided.

DfE wish to consider the available options as soon as practical in the autumn.

To support this review and facilitate efficient, timely receipt of data from the actuaries, DLUHC and the Scheme Advisory Board (SAB) have proposed that:

- actuaries will invoice SAB directly for their time, and DfE will provide the required funding to SAB with no additional fees incurred by administering authorities; and
- actuaries will provide the requested data directly to GAD no later than 21st October 2022.

DLUHC and SAB will continue to work with DfE and other stakeholders to support the review.

Please let DLUHC - LGPensions@levellingup.gov.uk know if you have any further queries about this work or you did not receive the email.

Action for LGPS actuaries

Provide the information to GAD by 21 October 2022.

Letter about discrimination in the LGPS sent to minister

On 26 August 2022, Cllr Roger Phillips, Chair of the SAB, wrote to the Local Government Minister, Paul Scully. [The letter to the minister](#) recommends amending the regulations on death grants and survivor benefits.

The SAB expressed concern about continuing to restrict death grants to cases where the member died before age 75. It considers the restriction may be at risk of legal challenge and should be removed.

The SAB reminded the minister that the LGPS rules on survivor benefits have not yet been amended to reflect the Goodwin judgment. It has previously recommended the Government investigate the feasibility of removing all differences in the survivor benefit rules.

Survey on funding strategy statement guidance

On 15 September 2022, Gareth Brown sent an email to administering authorities asking them to complete a survey commissioned by the Compliance and Reporting Committee. The survey seeks opinions on the funding strategy statement guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Committee was established by the SAB and is tasked with drafting updated guidance. Feedback from the survey will assist with this.

A link to the survey was sent with the email and should take around 10 minutes to complete.

Action for administering authorities

Complete the survey.

SAB update

You can use the links below to find out about the latest updates on the work of the SAB and its committees:

- [SAB meeting and agenda papers](#)
- [committee meetings and agenda papers](#)
- [Responsible Investment Advisory Group meetings and agenda papers](#)
- [news items](#).

LGPS England & Wales

Calculating protected final pay

We recently received a query on how to calculate final pay under regulation 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007. In particular, the query was about the earliest three-year period that can be used.

We believe it would be helpful if we shared our understanding. We have done this with an example.

Example

The member left active membership on 30 September 2022 having joined in 2002. The member is eligible to choose for their final pay to be calculated under regulation 10.

Regulation 10(4) sets out how to calculate the final pay:

Subject to regulations 8(3) and 8(4), the calculation mentioned in paragraph (1) is made by dividing by three the member's total annual pensionable pay in any three consecutive years of the member's choice, ending with 31st March, within the period of thirteen years ending with the member's last day as an active member.

The 13-year period begins with 1 October 2009 and ends with 30 September 2022. In our view, each consecutive three-year period ending on 31st March must fall, in its entirety, within the 13-year period. Therefore, the earliest three-year period runs from 1 April 2010 to 31 March 2013. The three-year period that runs from 1 April 2009 to 31 March 2012 cannot be used.

Governance and reporting of climate change risk consultation

On 1 September 2022, the Department for Levelling Up Housing and Communities (DLUHC) launched [a consultation called 'Governance and reporting of climate change risks'](#).

The consultation seeks views on proposals to require administering authorities to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures.

The consultation closes on 24 November 2022.

Technical queries with DLUHC

We publish a list of technical queries we have outstanding with DLUHC.

We have revised this list so that the queries are grouped within regulatory order within each category. We have deleted queries that have been resolved or are no longer required.

If you have a technical query, please check this list before raising your query with us using query.lgps@local.gov.uk.

The list can be found in the [Technical group page](#) of www.lgpsregs.org.

TPS McCloud remedy and the LGPS

The implementation of the McCloud remedy in the Teachers' Pension Scheme (TPS) means that some teachers will be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022.

This is provided for in the Public Service Pensions and Judicial Offices Act 2022 (2022 Act). Chapter 1 of Part 1 of the 2022 Act defines remediable service as including 'excess teacher service'. The Department for Education (DfE) and the Department for Levelling Up, Housing and Communities (DLUHC) will consult on how this will work in practice in due course.

Background

TPS final salary scheme (legacy scheme) - if a teacher has a part time employment in addition to a full time employment, the part time employment (or excess teacher service) was not pensionable in the TPS final salary scheme.

Where the employer offers the LGPS, the teacher would have been eligible to join the LGPS in respect of the part time employment. This is because the LGPS regulations provide for membership if a person is employed by a Scheme employer and is not entitled to membership of another public service pension scheme in respect of that employment.

The Scheme employer would have enrolled the teacher into the LGPS in respect of the part time employment in accordance with the LGPS regulations.

TPS CARE scheme (reformed scheme) – if a teacher has a part time employment in addition to a full time employment, both employments are pensionable in the TPS CARE scheme. As a result, teachers in the TPS CARE scheme are not eligible to be members of the LGPS in respect of the part time employment.

The TPS legacy scheme is closed to all pension build up from 1 April 2022. All future TPS pension build up is in the reformed scheme – this includes any part time employments where the teacher also has a full time employment.

McCloud remedy in the TPS

As part of the TPS McCloud remedy, all eligible members who were in the TPS reformed scheme will initially be rolled back into the TPS legacy scheme for the

remedy period. The remedy period in the TPS runs from 1 April 2015 to 31 March 2022.

When a member takes payment of their pension, they will decide if they want to take the benefits built up in the remedy period as either legacy or reformed benefits. This is called the Deferred Choice Underpin (DCU). If a member has already taken payment of their pension, they will be given an immediate choice as soon as possible after 1 October 2023.

The 2022 Act sets out the approach that will apply for members with excess teacher service. Because reformed scheme benefits are initially being rolled back into the legacy scheme, any additional part time employments will retrospectively change from being pensionable under the TPS CARE scheme to pensionable in the LGPS for the remedy period. Members who meet the LGPS qualifying criteria will receive underpin protection in the LGPS.

Teachers who remain in (or restart) employment after 31 March 2022 will have the opportunity to transfer the membership from the LGPS to the TPS.

Where a teacher keeps their excess teacher service in the LGPS and subsequently makes their choice on whether to have reformed or legacy scheme benefits for their main TPS record, this decision will not affect their LGPS membership for the remedy period. The LGPS will remain the member's appropriate scheme for their excess teacher service for the remedy period.

Administration impact

DfE has estimated that approximately 18,000 teachers are in scope. These will be a mix of active, deferred and pensioner members.

Pensioner members who were not protected, or only partially protected, by the original transitional protection will be asked to make an immediate choice by the TPS. They will be asked to decide if they wish to take final salary (legacy) or CARE (reformed) scheme benefits in respect of their service during the remedy period. If they choose final salary, the excess teacher service will be retrospectively pensionable in the LGPS for the appropriate period. The resulting LGPS pension will need to be put into payment immediately, with an adjustment for any over or under payment.

This exercise is going to be administratively challenging for both the TPS and LGPS administering authorities. We will work with DfE and DLUHC to agree a process for dealing with these cases. This will involve considering:

- how to identify affected members

- adjusting employee and employer contributions
- obtaining data to create LGPS member records
- how to deal with any additional pension contracts
- adjustments where benefits are already in payment
- transfers back to the TPS after the remedy period.

This list is not exhaustive. We will provide more information in due course.

LGPS Scotland

New member website and LGPS brand

On 5 September 2022, Lorraine Bennett emailed administering authorities letting them know the new member website and new LGPS brand are live.

The address of the website is www.scotlgpsmember.org.

We would be grateful if administering authorities and employers could help publicise the new website and logo. We have produced some material to help you do this. All of the materials below are available to download from the [LGPS brand and website resources](http://www.scotlgpsregs.org) page of www.scotlgpsregs.org.

- Infographic (PDF) – this is a visual representation explaining our key objectives for, and the benefits of, the website. Administering authorities can use this on their website and/or in newsletters.
- Information leaflet - this is a three page PDF to help administering authorities inform employers about the new brand and website.
- Email footers – administering authorities and employers can include the footer in their email signatures. To add a link to the footer, right click on the image.
- Animated social media banner – administering authorities and employers can use this on Twitter, LinkedIn and Facebook channels.

LGPS brand

We have supplied different versions of the new logo. The logo should be used correctly and consistently in line with the [brand guidelines](http://www.scotlgpsregs.org).

See the [LGPS brand and website resources](http://www.scotlgpsregs.org) page of www.scotlgpsregs.org for a file containing all the different versions of the logo.

We will be updating www.scotlgpsregs.org with the new logo in due course.

APC calculator

The website contains a new APC calculator. We have placed a redirect on the old APC calculator. This will remain in place for at least 6 months.

Action for administering authorities and employers

Publicise the new website by making use of the resources we have produced to help you do this.

Start using the new logo on all your communications.

Administering authorities should consider updating links to the old APC calculator to the new calculator as soon as you are able to.

Administering authorities should check that the information on the [contact your fund page](#) is correct and update it using the [Your LGPS contacts system](#) if it's not.

SAB Annual Report 2020/21 launched

The Scheme Advisory Board (SAB) recently published [the Annual Report 2020/21](#). The Report aims to provide a primary source of information about the Board's work over the last financial year (2020/21) for members, employers and other stakeholders. The Report also summarises the financial position of the Scottish funds and provides membership statistics.

HMRC

Newsletter 142

On 31 August 2022, [HMRC published pension schemes newsletter 142](#). The newsletter includes articles:

- normal minimum pension age – updates to the pensions tax manual
- migrating your pension schemes – take action now
- Accounting for Tax returns – can no longer be completed for any quarter from 1 April 2020 using the pension schemes online service
- new scams strategy from The Pensions Regulator – see [bulletin 228](#) for more information.

TPO

New Pensions Ombudsman

On 31 August 2022, [Dominic Harris was confirmed](#) as the new Pensions Ombudsman (TPO). See [bulletin 227](#) for more information.

He will start his appointment from 16 January 2023. The current Pensions Ombudsman, Anthony Arter, will remain in post until 15 January 2023.

News – September 2022

On 6 September 2022, [TPO published its September 2022 news](#).

It contains information about September's events, TPO resources and the latest determinations.

TPR

TPR warns employers about auto-enrolment duties

On 26 September 2022, the Pensions Regulator (TPR) published [a press release](#) warning employers to ensure they are complying with their automatic enrolment duties.

The warning follows a series of in-depth compliance inspections with more than 20 large employers earlier this year. The employers are from the transport, hospitality, finance and retail sectors. TPR found several common errors in respect of calculating pension contributions and communications to staff.

Other news and updates

Broad comparability assessments resume in full later this year

The Government Actuary's Department (GAD) announced on 22 September 2022 in [a press release](#) that it will resume broad comparability assessments in full this autumn.

In August 2020, GAD paused the assessments due to uncertainties from the McCloud judgment. Earlier this year, GAD partially resumed assessments. These assessments were for service from April 2022 only.

For more information, see [the guidance on staff transfers: public service schemes](#).

CWG minutes published

The Communications Working Group (CWG) met on 6 September 2022. At that meeting, the group discussed:

- member websites for Scotland and England & Wales
- website accessibility
- national pension awareness campaigns

- member engagement
- the latest on McCloud and pensions dashboards.

You can find the group's workplan and minutes from past meetings on the:

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

Hymans Robertson launch LGPS knowledge assessment

On 28 September 2022, Hymans Robertson launched their new LGPS national knowledge assessment. The assessment gauges level of knowledge and understanding in the LGPS.

We covered the 2022 national knowledge assessment in [bulletin 227](#). For more information see [Hymans Robertson press release](#).

Ministerial changes

On 6 July 2022, Kemi Badenoch MP resigned from the Government. Kemi Badenoch was Minister of State at the Department for Levelling Up, Housing and Communities. As part of this office, she was responsible for the LGPS.

The Government has recently confirmed that Paul Scully MP has taken over ministerial responsibility for the LGPS.

On 20 September 2022, it was announced that Guy Opperman MP has been relieved of his duties as Pensions Minister. He was the UK's longest serving pensions minister, being in post for five years.

On 21 September 2022, the Government announced that Alex Burghart MP will take up the role of Pensions Minister.

National LGPS Technical Group minutes published

The minutes of the National LGPS Technical Group meeting held on 2 September 2022 were published on 7 September 2022.

Topics discussed included McCloud, Pensions Dashboards, AVCs, life assurance AVCs, transfers and the cost of living crisis.

The next meeting will be held on 9 December 2022.

You can find the minutes on the:

- [Technical group page](#) of www.lgpsregs.org
- [Technical group page](#) of www.scotlgpsregs.org.

National LGPS Technical Group recommendations on frozen refunds

In [bulletin 223](#) we reminded administering authorities of the National LGPS Technical Group recommendation on how to treat a frozen refund where a benefit is in payment with a different administering authority. The Group recommended that “an interfund should be paid across to the new fund and benefits recalculated.”

We need to qualify this recommendation with two exceptions. The:

- first is where the member left active membership of the 2014 Scheme (or 2015 Scheme in Scotland) with a deferred refund and returned having had more than a five year break
- second is where the member left active membership before 1 April 1974 with only a right to a refund of contributions.

In both instances the only option is a refund of contributions because the option to aggregate is not present in these circumstances. The refund will be an unauthorised member payment because payment will not wipe out all the member's LGPS benefits - as the member will still have a pension in payment.

Your LGPS contacts

We would like to remind all administering authorities that you are responsible for updating your own contacts using the '[Your LGPS contacts' system](#).

We are receiving a high volume of undeliverable messages when we send out communications, particularly to finance and political contacts.

Also, if you are a pensions manager, please make sure to record your 'type' as pensions manager. That way when we send confidential information to pensions managers you can be sure to receive it.

Action for administering authorities

Review your LGPS contacts to make sure they are up to date.

Training

Final pay bitesize training

We have recently published final pay bitesize training. This free, interactive training is aimed at employers and payroll providers in England and Wales. It covers how to calculate final pay for members with final salary benefits. Final salary benefits were generally built up before April 2014. It also covers final pay protection where a member's pensionable pay is reduced or restricted in certain circumstances.

A text only version of the course is also available.

You can find the final pay bitesize training on the [employer bite size training](https://www.lgpsregs.org/employer-bite-size-training) page of www.lgpsregs.org.

Action for administering authorities

Let your employers know about this training.

Fundamentals 2022

Our Fundamentals training programme will be run face to face in London and Birmingham, and we will also run a separate online session.

Fundamentals is a three-day training course aimed at elected members and others who attend pension committees/panels and local pension boards. Attending all three days will assist delegates in meeting the relevant requirements for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.

Each day has a different theme and will include sessions delivered by experts in their field. The event also offers valuable networking opportunities. We recommend early booking because places are limited. We are unable to take manual bookings.

Each event below has a link to take you directly to the booking page for that session.

- [Fundamentals Day 1 – 18 October 2022 online](#)
- [Fundamentals Day 1 – 20 October 2022 Westminster](#)
- [Fundamentals Day 1 – 27 October 2022 Birmingham](#)
- [Fundamentals Day 2 – 10 November 2022 Westminster](#)
- [Fundamentals Day 2 – 16 November 2022 Birmingham](#)
- [Fundamentals Day 2 – 22 November 2022 online](#)
- [Fundamentals Day 3 – 6 December 2022 Westminster](#)
- [Fundamentals Day 3 – 14 December 2022 Birmingham](#)
- [Fundamentals Day 3 – 20 December 2022 online](#)

The booking page for all LGA events is: www.local.gov.uk/events.

LGPS Governance Conference 2023

Booking is now open for the LGPS Governance Conference 2023.

The conference will take place on 19 and 20 January 2023 at the Cardiff Marriott Hotel. You can attend the conference in person or join us online.

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

You can book and view the programme using the links below. An updated programme with confirmed speakers will be published shortly. We are unable to take manual bookings.

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

The booking page for all LGA events is www.local.go.uk/events.

Wider landscape

Growth Plan 2022

On 23 September 2022, the Chancellor, Kwasi Kwarteng, published [the Growth Plan 2022](#).

Alongside announcing various tax cuts, the Plan confirms that the Government will bring forward legislation removing certain performance fees from the defined contribution pension charge cap. It also announces that, despite the basic rate of income tax reducing from 20 per cent to 19 per cent in England, Wales and Northern Ireland next April, tax relief will continue to be given at 20 per cent by HMRC for a further year under the relief at source method. The LGPS provides tax relief using the net pay arrangement method.

High Court dismisses challenge against RPI reform

[The High Court dismissed](#) the judicial review claim brought by the British Telecom, Ford and Marks & Spencer pension schemes. This followed the UK Statistics Authority's decision to align the Retail Price Index (RPI) with a housing cost-based version of the Consumer Price Index from 2030.

See [bulletin 196](#) and [bulletin 206](#) for more information.

Pensions awareness campaign postponed

Following the passing of Her Majesty Queen Elizabeth II, the pension awareness campaign planned for 12 to 16 September was postponed. It will now take place between 31 October and 4 November.

See [bulletin 228](#) for information on the awareness campaign.

Useful links

[LGA Pensions page](#)

[LGPS member website \(England and Wales\)](#)

[LGPS member website \(Scotland\)](#)

[LGPS Advisory Board website \(England and Wales\)](#)

[LGPS Advisory Board website \(Scotland\)](#)

[LGPS Regulations and Guidance website \(England and Wales\)](#)

[LGPS Regulations and Guidance website \(Scotland\)](#)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

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Further information

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London Borough of Brent Pension Fund

Q2 2022 Investment Monitoring Report

Kenneth Taylor, Senior Investment Consultant
Ahmed Elsaddig, Investment Analyst

Executive Summary

Q2 2022 proved another challenging quarter for markets, with the Funds investments returning - 6.7%, underperforming the Fund's benchmark by 1.0%. However, over a 3-year period, 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 and interest rate hikes continued. The persistence of these inflationary pressures has led to a rise in fears of recession, with forecast growth down from the start of Q1.

Global equities as a whole fell 8.7% as a whole in Sterling terms. UK equities fared 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 underperformance of the technology sector, due to its increased sensitivity to rising rates.

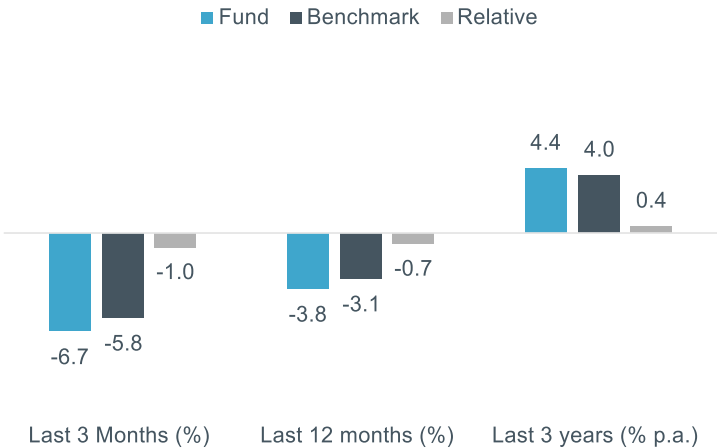
Within fixed income, rising interest rates provided upward pressure on yields and drove significant decrease in value. Speculative grade credit markets also suffered amidst the uncertainty.

Property continued its strong run; however, capital growth has softened over the last few months.

Key points to note

- The Fund posted negative returns over the quarter, ending the period with a valuation of £1,054.3m, down from £1,127.6m at the end of Q1 2022.
- The majority of assets classes struggled in Q2 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.
- A positive performer was the Fund's property investment with Fidelity although at c1.5% of assets it has little offsetting effect on overall performance.
- In Q3 2022 the Fund will seek to complete planned investment in the BlackRock Low Carbon equity fund whilst continuing to explore 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	57.9%	58.0%	-0.1%
Income	29.9%	25.0%	4.9%
Protection	10.1%	15.0%	-4.9%
Cash	2.1%	2.0%	0.1%

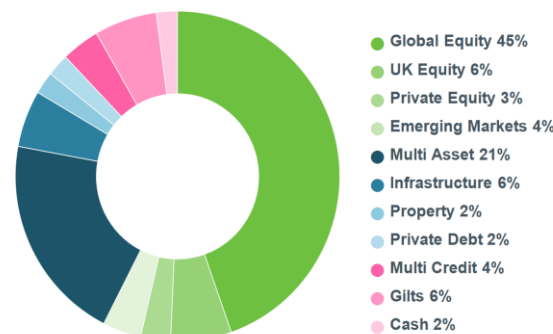
Whilst on the journey to its interim and long term targets for Property, Infrastructure and Private Debt, the current agreement is that the Fund will hold a higher allocation to multi-asset funds.

Asset Allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2022	Q2 2022			
LGIM Global Equity	506.1	459.7	43.6%	40.0%	3.6%
LGIM UK Equity	67.8	64.4	6.1%	5.0%	1.1%
Capital Dynamics Private Equity	30.0	31.7	3.0%	5.0%	-2.0%
LCIV JP Morgan Emerging Markets	43.8	40.6	3.9%	5.0%	-1.1%
Blackrock Acs World Low Crbn	15.4	13.7	1.3%	3.0%	-1.7%
Total Growth	663.1	610.1	57.9%	58.0%	-0.1%
LCIV Baillie Gifford Multi Asset	135.1	123.3	11.7%	6.0%	5.7%
LCIV Ruffer Multi Asset	97.4	93.3	8.8%	6.0%	2.8%
Alinda Infrastructure	23.4	26.5	2.5%	0.0%	2.5%
Capital Dynamics Infrastructure	6.2	6.9	0.7%	0.0%	0.7%
LCIV Infrastructure	21.4	25.6	2.4%	5.0%	-2.6%
Fidelity UK Real Estate	15.7	16.6	1.6%	3.0%	-1.4%
LCIV Private Debt Fund	20.3	23.3	2.2%	5.0%	-2.8%
Total Income	319.5	315.5	29.9%	25.0%	4.9%
LCIV MAC	43.8	40.4	3.8%	5.0%	-1.2%
BlackRock UK Gilts Over 15 yrs	77.1	66.2	6.3%	10.0%	-3.7%
Total Protection	120.9	106.5	10.1%	15.0%	-4.9%
Cash	24.1	22.2	2.1%	2.0%	0.1%
Total Scheme	1127.6	1054.3	100.0%	100.0%	

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

Asset class exposures



Total Fund return was negative during the period on both an absolute and relative basis. This resulted in performance over the 12 month period falling slightly behind benchmark. However, 3 year relative performance remains positive.

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

Capital Dynamics private equity mandate was the only positive performer of the growth assets, returning 16% over the quarter, well ahead of the FTSE benchmark although we would note that private equity valuations tend to lag those of listed markets.

Ruffer maintains its strong positive return over the 3 year period, despite Baillie Gifford falling behind in relative terms. Ruffer's defensively positioned strategy and stock selection in the equity component of the portfolio meant it performed better than Baillie Gifford's more "risk-on" approach. This demonstrates the value from adopting a diversified approach to multi-asset investing.

Gilt yields continued to rise over the period, weighing on returns and leading to an decrease in the value of the BlackRock portfolio of c.£11m.

The LCIV MAC fund also suffered amidst rising interest rates and weakening sentiment returning -7.6% 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	-9.2	-9.2	0.0	-3.1	-3.1	0.0	9.3	9.4	0.0
LGIM UK Equity	-5.0	-5.0	0.0	1.8	1.7	0.1	2.5	2.4	0.1
Capital Dynamics Private Equity	7.6	-8.7	17.8	28.1	-1.2	29.7	11.9	9.6	2.1
LCIV JP Morgan Emerging Markets	-7.3	-4.0	-3.5	-19.4	-15.0	-5.1	0.2	2.1	-1.9
Blackrock Acs World Low Crbn	-11.0	-9.1	-2.0	-	-	-	-	-	-
Income									
LCIV Baillie Gifford Multi Asset	-8.8	0.7	-9.4	-10.1	2.6	-12.3	0.2	2.5	-2.3
LCIV Ruffer Multi Asset	-4.2	0.7	-4.9	2.0	2.6	-0.5	8.0	2.5	5.3
Alinda Infrastructure	-	-	-	33.9	11.5	20.1	9.9	6.3	3.4
Capital Dynamics Infrastructure	-	-	-	-21.7	11.5	-29.7	-15.0	6.3	-20.0
LCIV Infrastructure	-	-	-	14.7	11.5	2.9	-	-	-
Fidelity UK Real Estate	5.7	4.4	1.2	-	-	-	-	-	-
Protection									
LCIV MAC	-7.6	0.7	-8.3	-10.6	2.4	-12.7	-1.1	2.6	-3.7
BlackRock UK Gilts Over 15 yrs	-14.2	-14.2	0.0	-22.8	-22.9	0.1	-6.2	-6.3	0.1
Total	-6.7	-5.8	-1.0	-3.8	-3.1	-0.7	4.4	4.0	0.4

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 alternative measures to assess performance. 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 total Fund figures assume a nil return based information provided by the custodian Northern Trust.

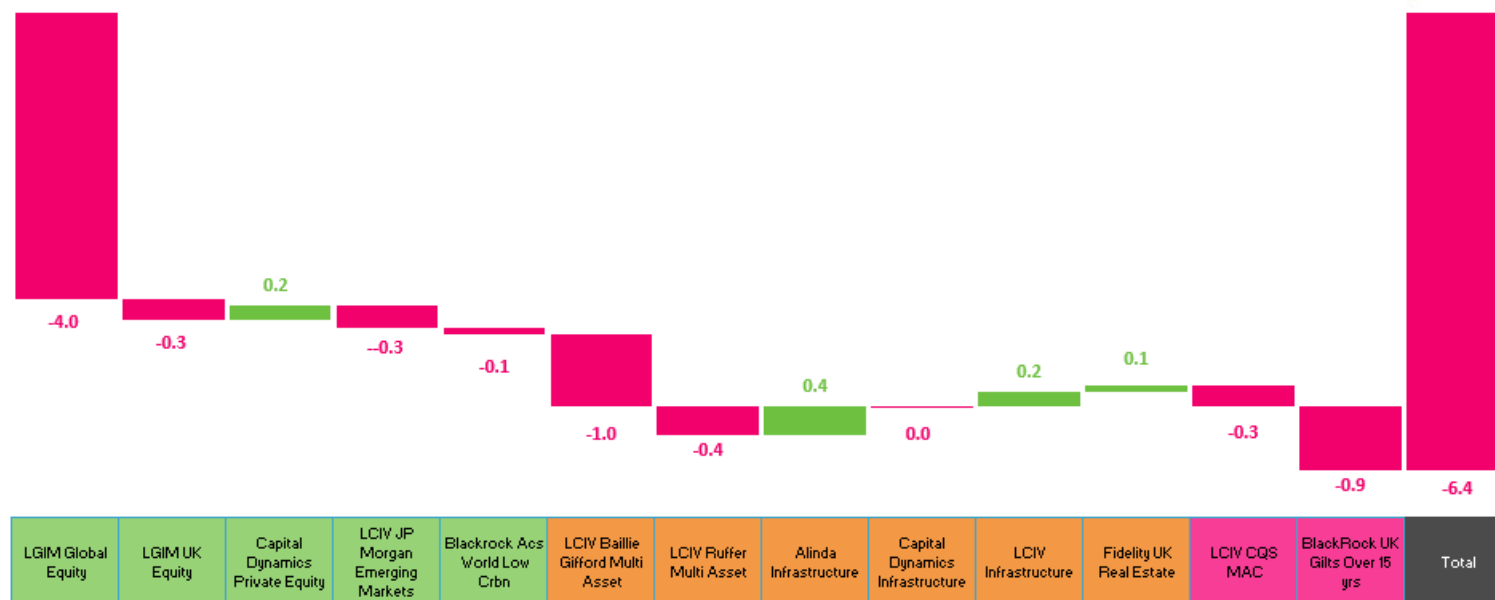
This chart highlights each mandate's contribution to the Fund's absolute performance over the quarter according to their allocation.

The biggest detractor from performance over the second quarter of 2022 was LGIM's Global Equity Fund, given its sizeable allocation of 45% of the Fund's assets and its unfavourable return in both absolute and relative terms.

Despite large negative returns posted by the Capital Dynamics Infrastructure Fund, this mandate has an allocation of <2% of the total Fund, hence did not detract significantly from the Fund's overall performance.

The diversifying nature of the LCIV and Alinda infrastructure funds mean that these sub-funds contributed positively over the quarter.

Fund performance by manager



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

Due to rounding of the individual fund returns and the exclusion of the LCIV private debt fund, the total performance shown above may not add to the total quarterly performance shown on page 3 of this report.

Manager ratings

Manager/Mandate	Asset Class	Hymans Rating	RI Rating	Performance	Manager Developments
LGIM	Global Equity	Preferred	Strong	●	●
LGIM	UK Equity	Preferred	Strong	●	●
Capital Dynamics	Private Equity	Suitable	Not Rated	●	●
LCIV JP Morgan	Emerging Markets	Suitable	Adequate	●	●
BlackRock	Acs World Low Crbn	Preferred	Adequate	N/A	●
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	N/A	●
LCIV	Private Debt	Not Rated	Not Rated	●	●
Fidelity	UK Real Estate	Preferred	Good	N/A	●
LCIV	Multi Credit	Suitable	Not Rated	●	●
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated	●	●

Baillie Gifford business update

Baillie Gifford announced that their multi-asset funds with now have two formalised lead manager roles. For Diversified Growth and Multi Asset Growth Funds – James Squires and Nicoleta Dumitru will lead and for Sustainable Multi Asset Fund – Scott Lothian and James Squires will lead.

We have included further detail on the following mandates this quarter:

- LCIV Baillie Gifford Multi-Asset
- LCIV Ruffer Multi-Asset
- LCIV JP Morgan Emerging Markets
- LCIV MAC
- Capital Dynamics Infrastructure

LCIV Ballie Gifford Multi Asset

The fund returned -8.8% over Q2, underperforming its benchmark by 9.4%. However, when assessing performance against an absolute return style benchmark, it is more meaningful to look over a longer period. The fund has fallen behind its longer term targets on a relative basis; however it still has a positive absolute 3-year return, albeit only marginal so.

The primary detractor from performance this quarter was the fund's significant allocation to equities (c.22%), which suffered in continued market volatility. Additionally, the absolute return segment did not perform as expected during this period of economic stress and contributed to the fund's negative performance.

The fund's property holdings also negatively impacted performance. Due to intensifying fears of recession, exposure to logistics and industrial properties, through publicly traded REITS performed poorly. During the quarter the property holding in German residential REITS was liquidated.

Over the quarter, Ballie Gifford sold their 'cyclical recovery' portfolio as they believe the post-COVID-19 recovery period to be over. In place of this, they have added growth equities and increased exposure to emerging market bonds.

Given the poor performance this quarter, Ballie Gifford took some strategic actions to address issues within underperforming asset classes. 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.

We continue to rate the fund as 'Preferred', with an RI rating of 'Strong'.

LCIV Ruffer Multi Asset

This year has been a challenging one for multi-asset investors with equities and bonds falling -12.4% and -11.1% respectively year-to-end of May. This market backdrop has created a large dispersion in the returns for the different 'Preferred' and 'Positive' rated multi-asset strategies in our universe ranging roughly from negative 5-10% returns year-to-end of May. The exception to this distribution is the Ruffer Absolute Return which has added 4.6% year-to-end of May.

Ruffer focus on capital preservation. Therefore, they typically have a different asset allocation to many multi-asset funds in our universe and we believe it's worth highlighting this in the current market environment. Ruffer's strong relative performance year-to-end of May has been driven by stock selection in the equity component of the portfolio with selective exposure to certain cyclical stocks. In addition, despite the portfolios high allocation to inflation linked bonds (which would typically increase duration), Ruffer have tactically managed duration keeping it around zero since late 2021. This has led to a purer exposure to inflation and has contributed significantly by hedging the portfolio with interest rate options being the highest contributor year-to-end of May. In addition exposure to USD and equity protection (puts) strategies have also added value. We maintain conviction in the quality of Ruffer's macro-research which leads to a relatively contrarian asset allocation, implemented strategically.

Further detail on specific manager performance is provided for funds that have performed below their relative benchmark over the longer term.

LCIV JP Morgan Emerging Markets

The JP Morgan Emerging Markets fund returned -7.3% over the second quarter of 2022, against its benchmark of -4.0%. Over 12 months the fund has underperformed its benchmark by 5.1%. Underperformance over a 3-year period is more moderate.

Emerging markets continued to lag developed markets equities in 2022 and returns continued to fall in Q2. While sector allocation contributed to the fund's underperformance over the period, e.g., underweight allocation to the energy sector, the manager's weak stock selection was the primary detractor. An overweight allocation to an underperforming communication services sector - Sea Ltd and MercadoLibre, previously strong performers, continued to decline in over the quarter.

With a c.21% allocation to China, recent easing of COVID-19 restrictions, alongside reduced regulatory pressures has had a positive impact on the portfolio. The manager is looking to add to this exposure through smaller active positions. 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'.

LCIV Multi Asset Credit

Over Q2 2022, the LCIV's multi-asset credit strategy returned -7.6% against a benchmark of 0.7%. Again, when assessing performance against an absolute return style benchmark, it is more meaningful to look over a longer period as volatility can be expected in the short term. Performance was also negative over the past 12 months which has resulted in longer term performance falling further behind benchmark by 3.7%.

The key detractor from performance over the quarter was the high yield sector, especially within the European market with rising risks of recession, due to continually increasing inflation and interest rate hikes. Additionally, asset backed securities contributed to negative performance. The portfolio's exposure towards European collateralised loan obligations (CLOs) proved unfavourable, as they faced significant repricing.

Loans performed better than other credit markets at the start of the period, due to the floating rate assets held within the portfolio. However, loans underperformed as fears over the growth market increased, due to them being perceived as more risky than bonds.

Going forward, the fund is transitioning into a multi-manager fund, with an equal allocation to both underlying fund managers: CQS and PIMCO. The final transition was completed post quarter end, in July. This transition has resulted in a increased diversification, specifically to the fund's exposure to key credit asset classes. Additionally, this should provide more stability to performance going forward.

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. 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.

Note, reporting on underlying commitments is as at 31 March 2022 due to the lag in reporting from the manager, which is typical for funds of this nature.

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.

Summary as at 31 March 2022 (figures in \$m where applicable)

Capital committed	\$15.0

Net IRR since inception	(5.2%)

Total contributed	\$14.7

Total value-to-paid-in-ratio (TVPI)	0.69x

Distributions	\$1.2

Value created	(\$5.3)

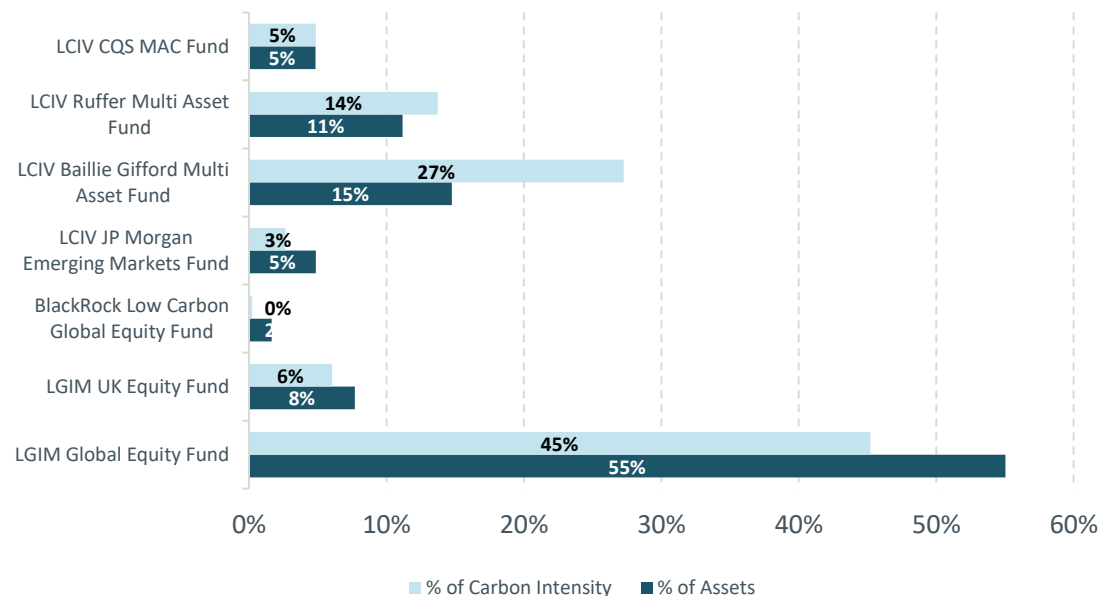
Net asset value	\$8.4

Climate Risk Overview

	Weighted Average Carbon Intensity (tCO2/£m Sales)	Fossil Fuel exposure (any activity) (%)
Fund	226.8	7.1%
<i>Composite benchmark*</i>	295.0	8.1%
<i>Relative to benchmark</i>	-68.2	-1.0%

*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

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 LGPS 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 c.80% of the Fund's assets as at 30 June 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.27% of the total carbon intensity. Similarly, the LCIV Ruffer Multi Asset Fund contributes 14% to the Fund's total carbon intensity but only represents 11% of assets.

All other funds however, contribute to the Fund's overall carbon intensity in line with or below their relative proportion of assets.

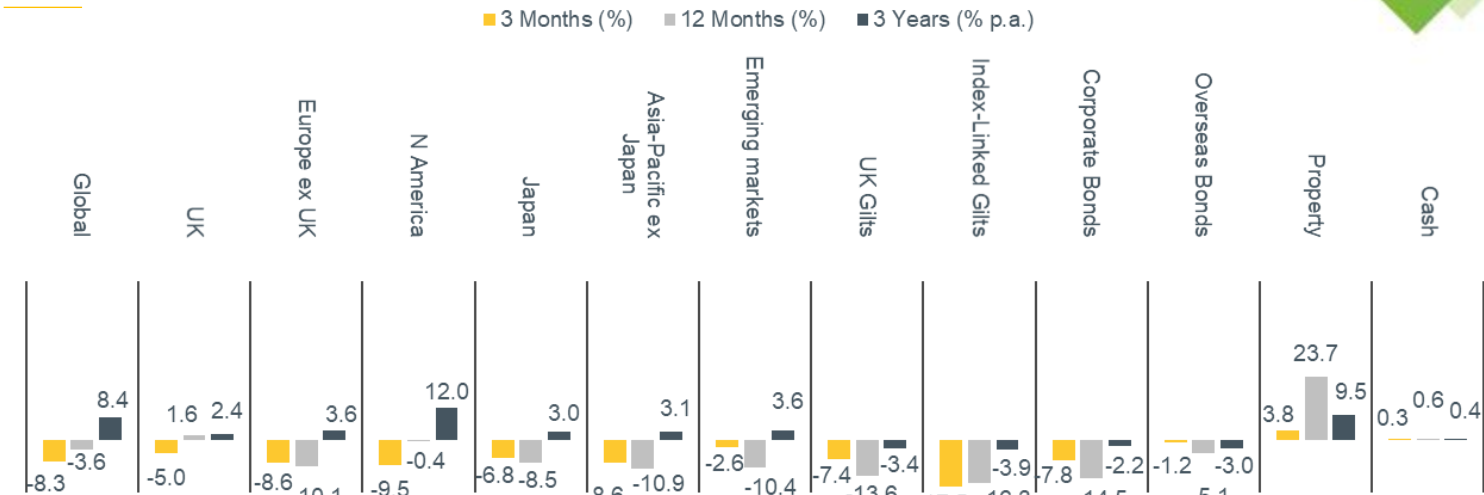
Soaring inflation and higher borrowing costs have continued to squeeze consumer's real incomes, with consumer confidence surveys plunging as a result. The persistence of these inflationary pressures, coupled with the prospect of tighter financial conditions, has given rise to fears of recession, and has resulted in revised consensus forecasts for global growth of 2.9% in 2022 and 2.8% in 2023 (down from 4.1% and 3.2%, respectively, at the start of the year.)

While headline inflation continues to rise across developed markets, year-on-year US and UK core inflation, which excludes volatile energy and food prices, eased slightly, but remained elevated, at 6.0% and 5.9%, respectively. While US and UK inflation pressures look more broad-based, a large proportion of eurozone inflation now comes from volatile energy and food prices, with Eurozone core CPI increasing to 3.8% year-on-year.

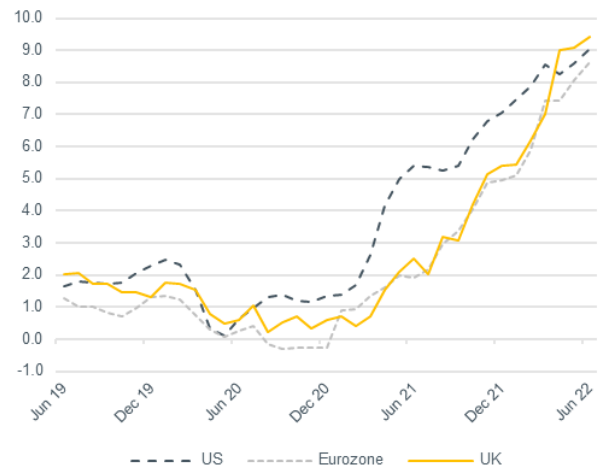
Despite some supply side issues and risks to growth, central banks appear determined to bring down inflation. The Bank of England rose rates for the fifth consecutive time and the Fed delivered a bumper 0.75% p.a. increase, taking their base rates to 1.25% p.a. and 1.75% p.a., respectively. The European Central Bank have indicated a first rate hike is likely in July, and the end to negative rates by the end of Q3 2022.

Government bond yields rose as markets moved to price in significant further increases in interest rates, with UK 10-year gilt yields increasing 0.6% p.a. to 2.2% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a., from 4.4% p.a. to 3.6% p.a. as real yields rose more than their nominal counterparts.

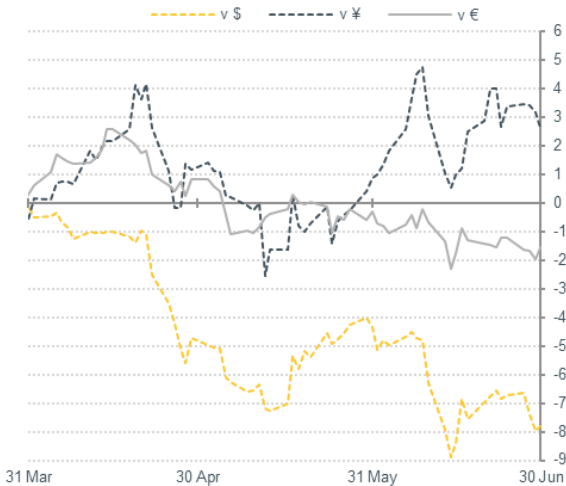
Historic returns for world markets [1]



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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

Market Background

With both inflation and growth concerns weighing on credit markets, global investment-grade credit spreads rose 0.5% p.a., to 1.8% p.a.; while US and European speculative-grade spreads both rose 2.4% p.a., to 5.9% p.a. and 6.4% p.a., respectively.

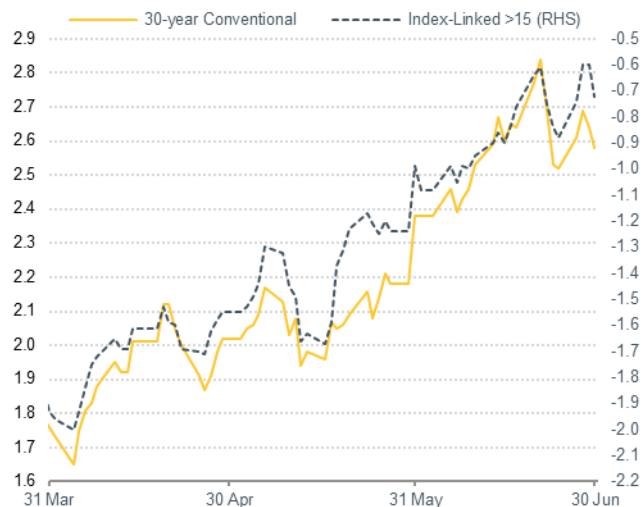
Commodity prices fell over the quarter, with expectations of lower demand leading to a fall in industrial metals prices as rising real yields weighed on precious metal prices.

Despite ongoing upwards revisions to consensus analyst earnings forecasts, global equities fell 8.3% over the quarter, as increases in expectations for the path of interest rates extended the recent decline in equity market valuations. The technology sector notably underperformed on the back of rising rates while returns within the consumer discretionary sector were impacted by a weakening consumer outlook. In contrast, consumer staples outperformed, as investors perhaps placed a premium on the sector's inherent pricing power.

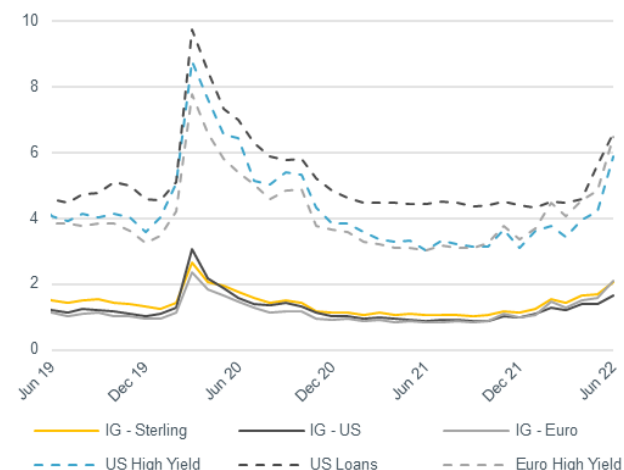
North America underperformed, owing to its large exposure to the technology sector. Meanwhile, above-average exposure to energy, metals, and miners, saw the UK continue its recent outperformance. The easing of lockdown restrictions in China provided some relative support to Emerging and Asian markets equities.

Property remained a relative bright spot, with the MSCI UK IPD total return index rising 9.6% year-to-date; largely owing to a 11.9% rise in industrial capital values. Return on the all-property index, including income, was 23.7% in the 12 months to end-June.

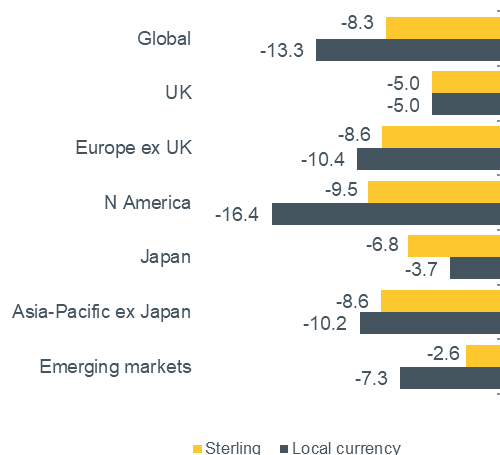
Gilt yields chart (% p.a.)



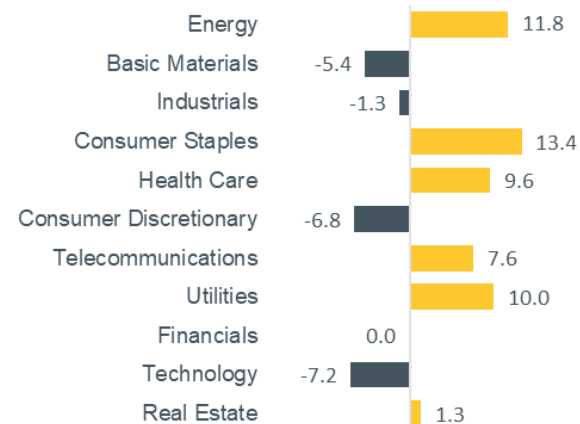
Investment and speculative grade credit spreads (% p.a.)



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:

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

Some industry practitioners use the simpler arithmetic method as follows:

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

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

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

	Pensions Fund Sub-Committee 05 October 2022
	Report from the Corporate Director Finance and Resources
Net Zero Roadmap Update and Responsible Investment policy	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two - Responsible Investment policy - LGPS Consultation on Governance and reporting of climate change risks - summary of proposals
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources 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 the Fund's net zero road map, responsible investment policy and the LGPS Consultation on Governance and reporting of climate change risks.

2.0 Recommendation(s)

- 2.1 That the Pension Fund Sub-Committee note the update to the net zero roadmap, updated responsible investment policy and LGPS Consultation on Governance and reporting of climate change risks.

3.0 Detail

- 3.1 LGPS funds face increasing pressure from various stakeholders to ensure that Environmental, Social and Governance (ESG) issues are considered in the course of managing the fund and in its investment decision making. This has been driven by an increased focus in this area from lobby groups and regulators, and from greater public scrutiny.
- 3.2 The Fund's investment advisors, Hymans Robertson, have prepared the attached Responsible Investment Policy in Appendix 1 which formalises the Fund's Responsible Investment beliefs and principles and the approach the Fund is taking to fulfilling its commitments.
- 3.3 Responsible Investment ("RI") is defined as the integration and consideration of environmental, social and governance ("ESG") issues into investment processes and stewardship activities.
- 3.4 The Sub-committee's approach to responsible investment can be viewed from two key areas:
- Capital allocation – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) when making investment decisions;
 - Stewardship and governance – acting as responsible and active investors/owners, through considered voting of shares and engaging with investee company management as part of the investment process.
- 3.5 The law is generally clear that schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise.
- 3.6 Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.
- 3.7 The responsible investment policy brings together the Fund's responsible investment beliefs and approach into a single document.
- 3.8 A summary of the steps the Fund takes includes:

Integrating ESG issues into the investment decision-making process

Integrating the consideration of ESG issues throughout our investment decision-making process. Considering the use of active management over index-tracking approaches where an active manager can be expected to provide materially improved ESG characteristics. Reviewing an investment manager's RI policy when appointing a new investment manager or allocating money to a new fund.

ESG risk monitoring and assessment

Monitoring the Fund's managers on an ongoing basis from an ESG perspective. Asking our investment advisers to highlight opportunities to invest in responsible investment strategies. Ensuring that where an investment manager does not meet the expectations listed in this policy, officers will engage with the respective stakeholders to encourage improvements.

Expectations and monitoring of investment managers, including the London CIV

We require our investment managers to integrate all material financial factors, including ESG issues, into their investment decision-making processes. We expect our managers to follow best industry practice and use their influence as major institutional investors to promote good practice in the investee companies. The Fund will continue to review London CIV's RI policy to ensure that its strategies and beliefs are still aligned with ours.

Stewardship – voting and engagement

The Fund recognises the importance of our role as stewards of capital and the need to ensure the highest standards of governance. We have a commitment to actively exercising ownership rights attached to our investments. Voting rights have been delegated to the investment managers with the objective of preserving and enhancing long-term shareholder value.

- 3.9 The Fund has made good progress to date in this regard with a number of important steps taken. These are summarised below.
- 3.10 A commitment of £50m in an infrastructure fund through London's asset pool, the London CIV, with a significant renewable component was agreed in 2019. This investment is currently being built up with £23.7m invested by 30th June 2022.
- 3.11 The Fund has also agreed investment in a new low carbon passive equity tracker (BlackRock ACS World Low Carbon Equity Tracker). An initial allocation of £15m has been deployed, further allocations have been agreed and will be made shortly.

- 3.12 The Fund entered into the London CIV Private Debt fund with a £50m commitment in 2021. The underlying managers (Churchill/Pemberton) were required to show a clear commitment to integrating ESG at the fund level and the investment process as part of the evaluation criteria. This fund is currently being built up and it will be a number of years before it is fully invested.
- 3.13 The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a collaboration group between LGPS Funds. Membership of LAPFF allows the Fund, along with other local government funds, to engage with large global firms. Individual funds engaging with companies on their own are unlikely to have as much of an impact. Climate change and the transition to a low carbon economy, is one of the individual engagement streams that LAPFF deals with.
- 3.14 The Fund has also introduced carbon metrics reporting into quarterly performance report providing the Weighted Average Carbon Intensity (WACI), fossil fuel exposure and carbon intensity for the majority of the Fund's assets. The Fund will continue review and refine metrics as the range and quality of data evolves.
- 3.15 Developed a practical 'roadmap to net zero' for the Fund which considered the key themes/principles that will require due consideration by the Fund as part of the net-zero journey, a framework of 5 key areas (Education, Understanding the baseline, Evaluating alignment and setting targets, Planning and implementation actions, Monitoring and reporting progress) to drive forward the Fund's strategy and a short and medium term roadmap for each key area within the framework.
- 3.16 The main changes from the previous policies are as follows:
- A further development of the Fund's ESG-related beliefs, setting out the actions we are taking to understand and manage ESG issues for the benefit of Fund members and other stakeholders;
 - Considering the use of active management over index-tracking approaches where an active manager can be expected to provide materially improved ESG characteristics;
 - Considering opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable;
- 3.17 The Fund will review its growth holdings over the coming weeks to identify options to move towards net zero with a view to presenting a recommendation to committee in February 2023. As examples, the below table identifies some potential targets for further consideration from the London CIV and the Fund's existing low carbon equity holding through BlackRock. Alternative options through Legal and General, with whom the Fund's main equity mandates are held, will also be considered.

Fund	LCIV Sustainable Equity Fund	LCIV Sustainable Equity Exclusion Fund	LCIV Passive Equity Progressive Paris Aligned Fund (PEPPA)	LCIV Global Alpha Growth Paris Aligned Fund	BlackRock ACS World Low Carbon Equity Tracker Fund
Manager	RBC	RBC	State Street	Baillie Gifford	BlackRock
Style	Active	Active	Passive	Active	Passive
Fund AuM (£m)	1,225.6	400.0	501.2	1,033.3	6,058.26
Weighted Average Carbon Intensity (tCO2e/mGBP revenues)	144	136	91	122	26.5*

*tCO2e/mUSD rather than tCO2e/mGBP

All data is latest available data at time of publication

4.0 LGPS Consultation on Governance and reporting of climate change risks

- 4.1 The Department for Levelling Up, Housing and Communities (DLUHC) published its consultation on governance and reporting of climate change risks on 1 September 2022.
- 4.2 This consultation seeks views on government proposals to require administering authorities of the Local Government Pension Scheme (LGPS) to have effective governance, strategy, risk management and accompanying metrics and targets for the assessment and management of climate risks and opportunities.
- 4.3 The proposals developed are in line with the recommendations of the international industry-led Taskforce on Climate-related Financial Disclosures (TCFD).
- 4.4 It is proposed that LGPS administering authorities would calculate the carbon footprint of their assets and assess how the value of each fund's assets or liabilities would be affected by different temperature rise scenarios, including the ambition to limit the global average temperature rise to below 2 degrees set out in the Paris Agreement.
- 4.5 Administering authorities would be required to publish a Climate Risk Report annually by 1 December. The first Climate Risk Report would be due in December 2024.
- 4.6 A summary of the proposals included in the consultation has been attached as Appendix 2 to this report. The full consultation is available on DLUHC's website.¹

¹ <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks>

- 4.7 This consultation will last for 12 weeks from 1 September 2022 to 24 November 2022. Officers, in consultation with the Fund's advisors, intend respond to the consultation on behalf of the Brent Pension Fund before the consultation closes. Members of the committee are invited to note this development and offer any comments they may have.

5.0 Financial Implications

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

6.0 Legal Implications

- 6.1 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.
- 6.2 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.
- 6.3 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.

7.0 Equality Implications

- 7.1 Not applicable.

8.0 Consultation with Ward Members and Stakeholders

- 8.1 Not applicable.

9.0 Human Resources

- 9.1 Not applicable.

Report sign off:

Minesh Patel

Corporate Director Finance and
Resources

Responsible Investment policy

Addressee

This paper is addressed to Officers and the Pension Fund Sub-Committee of the London Borough of Brent Pension Fund (“the Fund”). The purpose of this paper is to formalise the Fund’s Responsible Investment beliefs and principles, and the approach the Fund is taking to fulfilling its commitments in a policy document.

Beginning of Responsible Investment policy

Introduction

The London Borough of Brent is the Administering Authority for the London Borough of Brent Pension Fund. Within its Constitution, The London Borough of Brent Pension Fund has delegated responsibility for the administration of the LGPS to a Sub-Committee of elected councillors. The Brent Pension Fund Sub-Committee (“the Sub-Committee”) is the decision-making body for the Fund.

Our fiduciary duty is to act in the best financial interests of members of the Fund and ensure that the Fund’s objective, as set out in the Investment Strategy Statement, is met. Our aim when setting the investment strategy is to strike an appropriate balance between generating satisfactory long-term returns whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

Responsible Investment

We define Responsible Investment (“RI”) as the integration and consideration of environmental, social and governance (“ESG”) issues into investment processes and stewardship activities.

The Sub-Committee consider the Fund’s approach to responsible investment in two key areas:

- **Capital allocation**– considering the financial impact of environmental, social and governance (ESG) factors (including climate change) when making investment decisions.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares and engaging with investee company management as part of the investment process.

We recognise that ESG issues represent a material financial risk, which could have a negative impact on the value of the Fund’s investments particularly if the risks are not understood or evaluated properly. We should therefore seek to understand and manage the ESG issues to which the Fund is exposed.

The Fund has previously developed a set of Investment beliefs, including a number of ESG-related beliefs. This policy further develops the Fund’s ESG-related beliefs and sets out the actions we are taking to understand and manage ESG issues for the benefit of Fund members and other stakeholders. The aim is to protect the value of the Fund’s investments from ESG-related risks and to also capitalise on the investment opportunities that ESG issues, such as climate change, may provide.

Our RI beliefs and principles

We have agreed the following ESG-related beliefs and principles as the basis for our RI policy:

- **ESG issues can have a material impact on the long term performance of its investments** – we believe that ESG issues can have a material impact on the long-term risks and returns from the Fund’s investments, and there is an opportunity to positively impact investment returns by taking decisions with a long-term outlook and recognising the significance of ESG-related risks. We will engage with the London CIV, and our investment managers and advisers to understand the nature of these risks and identify investment opportunities which may also arise.

- **Climate change and the expected transition to a low carbon economy is a financial risk over the Fund's investment time horizon** – the Sub-Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisers.
- **Ongoing engagement is preferable to divestment** – the Sub-Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF and through the London CIV). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.
- **We must act as responsible owners** – as asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2°C degrees. We will encourage our investment managers to exercise stewardship and active ownership responsibilities effectively, through voting and engagement activities. This includes using our influence as asset owners to encourage positive behaviour from the managers, working in conjunction with the London CIV where appropriate.
- **The Fund's investment managers and the London CIV should embed the consideration of ESG factors into their investment process and decision-making** – investment managers are responsible for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.
- **It is important for the Sub-Committee to integrate ESG issues when identifying investment opportunities** – we will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a "positive impact" can be considered if they are consistent with the overall objectives of the Fund's investment strategy.
- **We will generally avoid investing in the most harmful companies and sectors** – we believe we have a duty to consider the wider environmental and social impacts of investments. We believe that we should generally avoid investing in the most harmful companies and sectors.
- **The choice of benchmark index matters** – whilst active managers are expected to take ESG issues in their individual stock selection decisions, it is acknowledged that index-tracking managers will invest in line with the index set out in their mandate. The Committee recognises that, for each asset class where an index-tracking approach is adopted, there is a range of benchmark indices that could be used. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.
- **Disclosure is important** – we will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed directly with managers, through involvement in the London CIV and also through membership of the LAPFF. We will also disclose the actions we are taking, including publishing this policy and incorporating our RI policies and approach into the way that we communicate with members.

These are incorporated with the Fund's broader Investment beliefs set out in the appendix to this paper.

Our approach

We take the following steps to ensure the investment strategy is aligned with our RI beliefs and principles.

Integrating ESG issues into the investment decision-making process

We aim to integrate consideration of ESG issues throughout our investment decision-making process, including setting the investment strategy, and the selection and monitoring of the Fund's investment managers. We are supported in these aims through regular and ongoing input from, and engagement with, our investment advisers and the London CIV.

We will consider the use of active management over index-tracking approaches where an active manager can be expected to provide materially improved ESG characteristics, for example when investing in certain geographical regions characterised by their concentration in a smaller number of industry sectors.

When looking to appoint a new investment manager or allocate money to a new fund, we will review the manager's RI policy with input from our investment advisers. This review will consider the manager's overall approach to RI, including how they integrate ESG issues into their own investment decision-making process, and their approach to stewardship.

We will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a "positive impact" can be considered if they are consistent with the overall objectives of the Fund's investment strategy.

We undertake training on a regular basis and this includes training and information sessions on ESG issues, including climate change, and how these could impact the Fund's assets and liabilities.

ESG risk monitoring and assessment

Our processes to monitor and assess ESG-related risks and opportunities include the following:

- Our investment advisers monitor the Fund's managers on an ongoing basis from an ESG perspective. Where available, this includes assigning an 'RI rating' which reflects the commitment of the manager to ESG integration and the practices they apply. We monitor these RI ratings on a quarterly basis.
- These RI ratings are also a key consideration when the Sub-Committee is appointing a new investment manager or allocating money to a new fund.
- We ask our investment advisers to highlight opportunities to invest in responsible investment strategies and will give due consideration to any proposals.
- The Fund will analyse the carbon intensity of the assets at least annually and consider climate change scenario analysis at least triennially to review potential risks to the funding and investment strategy and consider whether any action is required to mitigate these risks.
- We expect our asset managers to understand our RI beliefs and requirements. We provide our policy to our investment managers and to the London CIV.
- In the event that any investment manager does not meet any of the expectations listed in this policy, Officers will engage with the respective stakeholders to encourage improvements in processes, transparency or activity as required.

Expectations and monitoring of investment managers, including the London CIV

We require our investment managers to integrate all material financial factors, including ESG issues, into their investment decision-making processes.

We expect our managers to follow best industry practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

We expect our investment managers to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, we expect our investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

We expect investment managers and the London CIV to comply with the UK Stewardship Code Principles and expect them to be a signatory to the 2020 UK Stewardship Code and to the Principles for Responsible Investment (PRI).

Our investment managers have provided copies of their RI policies. The managers are asked on an annual basis to provide an update on any changes to their policies. The managers are expected to report on their engagement activity with companies as part of their regular quarterly reporting. The consideration of ESG factors, along with discussion on current examples, is also an item on the agenda at all meetings between the investment managers and the Sub-Committee/Officers.

We monitor this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The London CIV has developed its own RI policy. We will continue reviewing this policy and engaging with the London CIV to ensure that its strategies and beliefs are still aligned with ours. We will also require the London CIV to monitor the investment managers appointed for their fund range and provide reporting on the engagement activities of those investment managers. As an important strategic partner, the London CIV will be invited at least annually to provide an update to the Sub-Committee on their ongoing RI actions and latest RI policy.

Stewardship – voting and engagement

We recognise the importance of our role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which our investments reside. This ultimately protects the financial interests of the Fund and its beneficiaries.

We have a commitment to actively exercising ownership rights attached to our investments, reflecting a conviction that responsible asset owners should maintain oversight of the companies they invest in, recognising that the companies' activities impact upon not only their customers and clients but more widely upon their employees and other stakeholders and wider society.

We have delegated the exercise of voting rights to the investment managers on the basis they will exercise this power with the objective of preserving and enhancing long-term shareholder value.

The investment managers have provided copies of their voting policies and these have been reviewed by Officers. The managers are asked on an annual basis to provide an update on any changes to their policies. The managers are also required to report on their voting activity. We publish a report of voting activity as part of the Fund's annual report.

We expect the London CIV to take an active approach to voting and engagement and we will monitor its activity in these areas.

We review the stewardship activities on an annual basis with input from the Fund's investment adviser and will engage with managers and the London CIV as required.

We expect the investment managers to provide suitable context when reporting on their voting and engagement activities, to explain the rationale for the actions they have taken, the relevance to the Fund, and outcome of engagement activity.

We believe in collective engagement and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

Climate change

We consider that significant exposure to high carbon emitting companies and projects within portfolio could pose a material financial risk to the value of the Fund's investments.

At present, we have not formalised a net zero target date for the Fund. While we have an ambition for the Fund to be net zero by 2030, we recognise the ability to realise this ambition is dependent on a number of factors including the availability of suitable investment opportunities and reliance on the London CIV. We note that the London CIV has set a net zero target of 2040 for the portfolio of assets it oversees. We are developing a net zero plan as part of the Fund's net zero roadmap, which will identify the priority actions that need to be taken over the short to medium term to move the Fund towards a net zero position.

We have committed to undertaking a carbon footprint exercise for the Fund to quantify the Fund's current carbon emissions. We will then develop a plan to reduce the Fund's carbon emissions. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Sub-Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c35% of the Fund's assets sit directly within the London CIV and this percentage is expected to grow over time.

The Sub-Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Sub-Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Plus appendix

End of Responsible Investment policy

I look forward to discussing this paper with Officers and the Sub-Committee on 5 October.

Prepared by:

Kenneth Taylor, Senior Investment Consultant

For and on behalf of Hymans Robertson LLP

20 September 2022

Appendix – Investment Beliefs

Core investment beliefs

Clear and well-defined objectives are essential to achieve future success - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

Long term investing provides opportunities for enhancing returns - As a long-term investor it is important that the Fund acts as an asset owner. As a long-term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

Equities are expected to generate superior long-term returns - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However, the Committee also recognise that equities can be highly volatile over the short-term.

Diversification reduces the overall volatility of the Fund's asset returns - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

Passive management has a role to play in the Fund's structure - The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

Active management can add value but is not guaranteed – the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

Private markets can offer opportunities - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.

The choice of benchmark index matters – whilst active managers are expected to take ESG issues in their individual stock selection decisions, it is acknowledged that index-tracking managers will invest in line with the index set out in their mandate. The Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

Rebalancing policies are important – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

Fees and transaction costs matter - The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

Governance "budget" matters – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

The London CIV is the Fund's preferred approach to implementation – the Committee recognises the potential benefits of LGPS pooling. Their preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV's investment offering.

ESG-specific beliefs

Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

Ongoing engagement is preferable to divestment – The Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

We must act as responsible owners – As asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2°C degrees.

It is important for the Sub-Committee to integrate ESG issues when identifying investment opportunities – we will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a "positive impact" can be considered if they are consistent with the overall objectives of the Fund's investment strategy.

The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making – Investment managers are responsible for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

We will generally avoid investing in the most harmful companies and sectors – we believe we have a duty to consider the wider environmental and social impacts of investments. We believe that we should generally avoid investing in the most harmful companies and sectors.

Disclosure is important – we will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed directly with managers, through involvement in the London CIV and also through membership of the LAPFF. We will also disclose the actions we are taking, including publishing this policy and incorporating our RI policies and approach into the way that we engage and communicate with members.

Consultation on Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks

A summary of the key proposals in the consultation are provided in the table below:

Area	Proposal
Overall	Each LGPS AA must complete the actions listed below and summarise their work in an annual Climate Risk Report.
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
Risk Management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
Metrics	AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below. Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions. Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report. Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified*, Reported**, Estimated or Unavailable.

	Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner. Metrics must be measured and disclosed annually.
Targets	AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.
Disclosure	AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report. The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.
Scheme Climate Report	We propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.
Proper advice	We propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.

	Pensions Fund Sub-Committee 05 October 2022
	Report from the Corporate Director Finance and Resources
Brent Pension Fund: Annual Report and 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 Annual Report 2021/22 2 – Brent Pension Fund Audit Findings Report 2021/22
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

- 1.1 This report provides an update on the Pension Fund Annual Accounts for the year ended 31 March 2022.

2.0 Recommendation(s)

- 2.1 The Committee is recommended to:

- Note the draft accounts included as part of the annual report;
- Note the Brent Pension Fund Audit Findings Report 2021/22 produced by the external auditors, Grant Thornton; and
- Note the draft Brent Pension Fund Annual Report 2021/22 which will be published as set out in paragraph 3.6.

3.0 Detail

Statement of Accounts

- 3.1 Included in the Brent Pension Fund Annual Report 2021/22 attached in Appendix 1 are the latest version of the Pension Fund Annual Accounts for the year ended 31 March 2022.
- 3.2 At the time of writing, audit fieldwork is substantially complete. The auditors are now working on completing their closing procedures and final reviews with a view to sign off the audit shortly after the Audit and Standards Advisory Committee meeting on 29th September.
- 3.3 The Brent Pension Fund Audit Findings Report 2021/22, attached in Appendix 2, sets out the anticipated results of the audit. Grant Thornton intends to give an unqualified opinion on the Pension Fund accounts.
- 3.4 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 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. The audit of the accounts commenced in July, and needs to be completed by the 30th November.
- 3.5 The main items to note are as follows:
- During 2021/22, the value of the Pension Fund's investments increased to £1,128m (2020/21 £1,032m). This is due to the strong performance in particular from the Fund's global and UK holdings as the recovery from the pandemic continued.
 - 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 Council is in a positive cash-flow position because its contributions exceed its outgoings to members.

Pension Fund Annual Report

- 3.6 The draft Pension Fund annual report will be sent to Grant Thornton for review shortly. Regulations require the annual report to be published on or before 1st December. The Fund will publish the report on completion of the audit process and before the required deadline.
- 3.7 The Pension Fund annual report includes the:
- Investment Strategy Statement;

- Pensions Administration Strategy;
- Funding Strategy Statement; and
- Communications Policy Statement.

which have been approved by the Committee at previous meetings.

4.0 Financial Implications

4.1 Not applicable.

5.0 Legal Implications

5.1 Not applicable.

6.0 Equality Implications

6.1 Not applicable.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

8.0 Human Resources

8.1 Not applicable.

Report sign off:

Minesh Patel

Corporate Director Finance and
Resources

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Brent Pension Fund

Annual Report and Accounts 2021/22

Pensions Regulator Scheme Number: 10272080

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1. Chairman's Foreword

It is my pleasure to present the Annual Report and Accounts of the Brent Pension Fund for 2021/22.

The Fund has 6,039 contributors, 6,967 pensioners and 8,468 deferred pensioners.

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

During 2021/22, the value of the Pension Fund's investments has increased to £1,128m (2020/21 £1,032m). This is due to strong performance in particular from the Fund's global and UK holdings as the recovery from the pandemic continued.

Total contributions received from employers and employees was £64m for the year, an increase from the previous year. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £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. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

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

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

CLlr Robert Johnson
Chairman, Brent Pension Fund Sub-Committee

2. Management and Financial Performance

a. Scheme management and advisors

Administering Authority:	Brent Council Civic Centre Engineers Way Wembley Middlesex HA9 0FJ
Brent Pension Fund Officers:	Minesh Patel, Director of Finance Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst Kastur Varsani, Assistant Accountant
Legal Advisers:	In-house
Custodian:	Northern Trust
Actuary:	Hymans Robertson LLP
Financial Adviser:	Hymans Robertson LLP
Fund Managers:	Legal & General Capital Dynamics London CIV LCIV Diversified Growth – Baillie Gifford LCIV MAC – CQS LCIV Emerging Markets – JP Morgan LCIV Infrastructure Fund – Stepstone LCIV Absolute Return –Ruffer LCIV Private Debt Fund – Churchill/Pemberton Alinda Blackrock Fidelity UK Real Estate
Banker:	NatWest
Auditor:	Grant Thornton
Performance Measurement:	Northern Trust
AVC Providers:	Prudential Clerical Medical Equitable Life (legacy only)
The Local Government Pension Scheme	

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

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

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

This document is the Annual Report and Accounts of the Brent Pension Fund for 2021/22

The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK, with 6.2 million members.
- It is a nationwide pension scheme for people working in local government or for other types of employer participating in the scheme.
- The LGPS is administered locally by 86 regional pension funds – one of which is the Brent Pension Fund.
- It is a funded scheme, which means that Fund income and assets are invested to meet future pension fund commitments.
- Benefits are defined and related to members' salaries, so they are not dependant on investment performance. Ultimately the local authority and local taxpayers are the final guarantors.
- The scheme is regulated by Parliament.

Governance

Governance Statement

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

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

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

Administering Authority

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

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

Governance Compliance

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

The full compliance statement is at page 29.

Pension Fund Sub-Committee

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

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

Pension Fund Sub-Committee Membership as at 31 March 2022

Chair: Cllr S Choudhary

Other Members: Cllr A Aden
Cllr M Daly
Cllr F Donnelly-Jackson
Cllr Maurice (resigned 24 May 2021)
Cllr Kansagra (appointed 24 May 2021)
Cllr W M Murray
Cllr K Perrin

Employee representatives: Elizabeth Bankhole (UNISON)

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

Pension Fund Sub-Committee Training

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

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

Conflict of Interests

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

Accountability and Transparency

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

b. Risk management

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

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

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

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

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

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

Third Party Risks

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

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

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

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

Fund Manager	Type of Assurance	Control Framework	Compliance with Control	Reporting Accountant
Alinda	ISAE3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
BlackRock	ISAE3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
Capital Dynamics	ISAE3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
Fidelity	ISAE3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
London CIV	Third-Party Controls Oversight	n/a	n/a	n/a
LGIM	ISAE3402	Reasonable Assurance	Reasonable Assurance	KPMG LLP

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

During 2021/22, no internal audits were carried out for the Pension Fund. In 2019/20, internal audit undertook a review of the Council's arrangements in regards to current investments, strategic asset allocation and compliance with MHCLG regulations. This review aimed to provide assurance over the following sub-processes and control objectives. The audit focused on key controls in place in relation to the sub-processes listed below, to mitigate the potential risks:

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

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

Other Investment Risk

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

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

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

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

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

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

c. Financial performance

Financial Summary

Income and expenditure of the fund over the past five years is shown below. This shows a net increase in the Fund's market value of £330m over the period. During 2021/22, the Fund value increased by £103m. This is primarily due to strong performance from the Fund's investment managers. A detailed analysis of the Fund's financial performance, including the movement in non-investment assets and liabilities, can be found in the statement of accounts at page 33 of this report.

Financial Summary	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Contributions receivable	(53.5)	(54.9)	(65.2)	(66.8)	(70.9)
Benefits payable	75.0	47.7	54.2	47.6	52.7
Net (additions)/withdrawals from dealings with members	21.5	(7.2)	(11.1)	(19.2)	(18.2)
Management expenses	4.3	6.8	3.8	4.2	4.3
Net of investment income and taxes on income	(0.9)	(1.4)	(1.2)	(0.7)	(1.1)
Change in market value	(22.4)	(61.7)	34.1	(176.1)	(88.1)
Net (increase)/decrease in Fund Value	2.5	(63.5)	25.6	(191.8)	(103.1)

Analysis of Dealings with Scheme Members

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

Analysis of Dealings with Scheme Members	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Contributions receivable					
Members	(8.1)	(9.2)	(8.5)	(9.5)	(9.7)
Employers	(41.8)	(42.9)	(51.5)	(51.4)	(54.4)
Transfers In	(3.6)	(2.8)	(5.2)	(5.9)	(6.8)
Total	(53.5)	(54.9)	(65.2)	(66.8)	(70.9)
Benefits payable					
Pensions	34.4	37.7	38.6	37.5	39.7
Lump sum retirement and death benefits	4.5	8.2	9.3	4.8	7.2
Transfers Out	35.9	1.7	6.2	5.3	5.7
Refunds to members leaving service	0.2	0.1	0.0	0.0	0.2
Total	75.0	47.7	54.1	47.6	52.7
Net Dealings with Members	21.5	(7.2)	(11.1)	(19.2)	(18.2)

Analysis of Management Expenses

The costs of managing the Pension Fund are split into three areas: Administration expenses, Oversight and Governance costs and Investment management expenses. Administration costs decreased slightly in 2021/22 due to the completion of data cleanse activity that began in 2020/21.

Analysis of Management Expenses	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Administration costs	0.7	1.2	1.1	1.8	1.6
Oversight and Governance costs	0.1	0.2	0.3	0.2	0.2
Other expenses	0.0	2.2	0.0	0.0	0.0
Investment management expenses	-	-	-	-	-
Management fees	3.4	2.7	2.4	2.2	2.4
Custody fees	0.1	0.1	0.0	0.0	0.1
One-off transaction costs	0.0	0.4	0.0	0.0	0.0
Total	4.3	6.8	3.8	4.2	4.3

Contributions

Members of the LGPS pay a contribution rate dependant on the salary band they fall in to. The contribution rate employees pay depends on their salary. The bands and contribution rates for 2021/22 are set out in the table below.

Annual Pensionable Pay	Rate
Up to £14,600	5.5%
£14,601 to £22,900	5.8%
£22,901 to £37,200	6.5%
£37,201 to £47,100	6.8%
£47,101 to £65,900	8.5%
£65,901 to £93,400	9.9%
£93,401 to £110,000	10.5%
£110,001 to £165,000	11.4%
£165,001 or more	12.5%

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. The most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% in 2021/22.

Regulations state that contributions must be paid to the Fund by the 22nd day of the month following deduction. The Fund reserves the right to levy interest on an employer for the late payment of contributions. In 2021/22, this power was not exercised.

3. Investment Policy and Performance

Introduction

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

During 2021/22, the following external investment managers managed the Fund's assets:

- Legal & General (UK and overseas equities)
- Capital Dynamics (Private equity and Infrastructure)
- LCIV Churchill/Pemberton (Private Debt)
- LCIV Baillie Gifford (Diversified Growth Fund)
- LCIV Ruffer (Diversified Growth Fund)
- LCIV CQS (Multi Asset Credit)
- LCIV JP Morgan (Emerging Markets)
- LCIV Stepstone (Infrastructure)
- Alinda (Infrastructure)
- Blackrock (UK Gilts and Global Low Carbon Equities)
- Fidelity (Property)

The cash balance is deposited with money market funds.

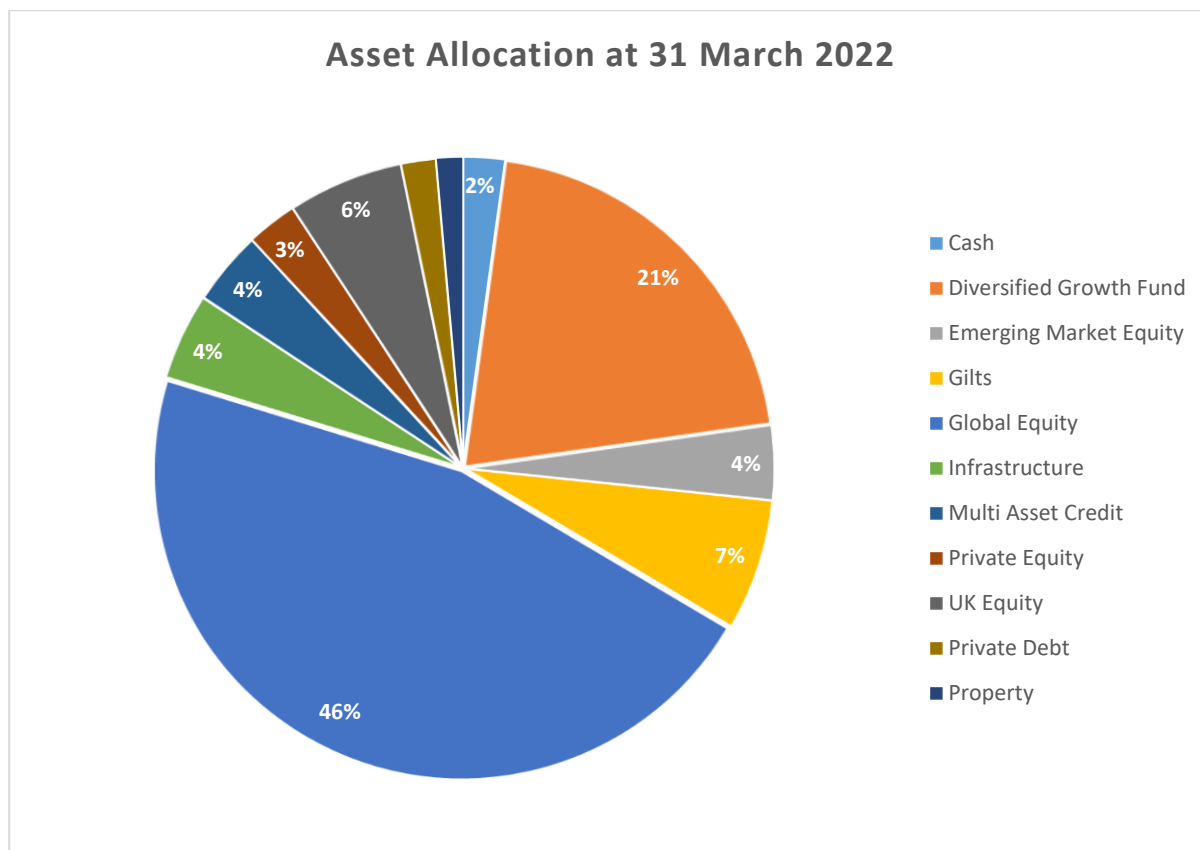
2021/22 Investment Results

Asset Allocation and Fund Performance

The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2022 is shown below:

Time Period	Total Fund Return %	Fund Benchmark Return %
1 year	8.3	7.2
3 years	8.2	7.1
5 years	6.6	6.5

The current asset allocation includes allocations to passive UK and global equities, emerging market equities, diversified growth funds, infrastructure, longer dated gilts, multi-asset credit, private debt and UK commercial property. The allocation to private equity is currently being wound down. A further allocation to infrastructure was agreed in 2018/19 and investment in this mandate is being built up. The allocation to Private Debt is also being built up. Allocations to Low Carbon Equities and Property were introduced in 2021/22. It will be some time before funds are fully invested. The asset allocation as at 31 March 2022 is illustrated by the below chart.



Overall the fund delivered a positive return of 8.3% for the year. Positive returns were achieved in the first 3 quarters with negative returns in quarter 4. Returns in the first 3 quarters were driven by the Fund's growth holdings, in particular the global equity mandate. Additionally the Baillie Gifford multi-

asset mandate produced strong performance over the period. Fund performance in quarter 4 was negative and the majority of assets struggled in Q1 2022 in a challenging environment as inflation took hold; coronavirus lockdowns continued in China; and Russia began its invasion in Ukraine.

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

Investment	Asset Class	Planned Asset Allocation (%)	Market value 31 March 2022 (£m)	Allocation at 31 March 2022 (%)	Last Year (%)		Last 3 Years (%)		Last 5 Years (%)	
					Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Equities - L&G	UK Equity	45	67.8	6	13.2	13.0	5.4	5.3	4.8	4.7
Global Equities - L&G	Global Equity		506.1	45	14.7	14.8	15.4	15.4	12.0	12.0
UK Equities - London CIV	UK Equity		0.2	0	n/a	n/a	n/a	n/a	n/a	n/a
LCIV JP Morgan EM	Emerging Market Equity	5	43.8	4	-10.2	-7.1	4.7	4.6	-	-
Global Low Carbon Dev	Global Equity	3	15.4	1	-	-	-	-	-	-
DGF LCIV Baillie Gifford	Diversified Growth Fund	12	135.1	12	3.4	2.4	3.6	2.6	3.2	3.2
DGF LCIV Ruffer	Diversified Growth Fund		97.4	9	7.3	2.4	10.1	2.6	5.6	3.2
LCIV Multi Asset Credit	Multi Asset Credit	15	43.7	4	-1.3	2.2	2.1	2.8	-	-
Blackrock - Over 15 year GILTS	Gilts		77.1	7	-7.1	-7.2	-0.7	-0.7	-	-
Private Equity - Capital Dynamics	Private Equity	5	30.0	3	30.0	16.9	10.8	13.7	12.7	11.4
Infrastructure - Capital Dynamics	Infrastructure	5	6.2	1	-29.8	9.1	-17.7	5.5	-10.7	6.5
Infrastructure - ALINDA	Infrastructure		23.3	2	15.1	9.1	5.9	5.5	-2.0	6.5
Infrastructure - LCIV Stepstone	Infrastructure		21.4	2	6.4	9.1	-	-	-	-
LCIV Private Debt Fund	Private Debt	5	20.3	2	-	-	-	-	-	-
Fidelity UK Real Estate Fund	Property	3	15.7	1	-	-	-	-	-	-
Cash	Cash	2	24.1	2	-	-	-	-	-	-
TOTAL		100.0	1127.6	100	8.3	7.2	8.2	7.1	6.6	6.5

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

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

Comparison of investment performance with other LGPS Funds

The Fund's investment performance in comparison to the PIRC Local Authority percentile average for all Local Government Pension Schemes (LGPS) funds nationally is shown below (the PIRC universe consists of 63 out of 86 LGPS funds):

	Rank	Period ended 31 Mar 22	PIRC Local authority Average
1 year	48	8.3	8.6
3 years	61	8.2	8.3
5 years	74	6.6	7.1
10 years	78	8.2	8.9

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

Financial Year	Rank	Rolling 3 year return
2021/22	61	8.2
2020/21	72	7.6
2019/20	42	1.5
2018/19	26	8.5
2017/18	80	6.8
2016/17	75	9.9
2015/16	49	6.5
2014/15	80	10.1

Funding Strategy Statement (FSS)

In accordance with the Local Government Pension Regulations, Brent Pension Fund has a Funding Strategy Statement in place which can be found on page 112.

Investment Strategy Statement (ISS)

The Investment Strategy Statement sets out the policy which determines how the Fund invests its assets. This can be found on page 155 of this document. The Scheme rules require that we publish the ISS that covers our policy on:

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

4. Asset Pools

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

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

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

The Brent Pension Fund joined other London local authorities in creating the London Collective Investment Vehicle (LCIV), the regional pool operator for the capital. The London CIV is now established and has £13.9bn of LGPS assets under management as at 31 March 2022. Additionally, the value of passive assets was £12.7bn.

London CIV's annual review for the year ended 31st March 2022 can be found at: <https://londonciv.org.uk/reports-and-regulatory-information>

Pooled assets

Overall, the Fund continued to increase the investments it has made through the London CIV. During 2021/22, the Fund's investments in the London CIV infrastructure fund and London CIV Private Debt fund began to be built up. In line with standard industry practice for infrastructure and private debt investments, it will be some time before funds are fully invested. The Fund also introduced a low carbon passive equity holding through Blackrock.

As at 31/03/2022, the Fund had 6 investments with the London CIV: Emerging Market equities (through JP Morgan), Diversified Growth Funds (Baillie Gifford/Ruffer), Multi Asset Credit (CQS), Infrastructure (Stepstone) and Private Debt (Churchill/Pemberton). Additionally, the Fund's passive equity investments through Legal and General/Blackrock and Gilts through Blackrock are arranged through the London CIV's negotiated mandate where the Fund benefits from lower negotiated fees.

All asset classes except Property, Private Equity, Infrastructure (Legacy) and Cash are managed by the London CIV asset pool. Therefore, the Fund has approximately 91% of its investments held with the regional pool or under the pool's oversight.

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

Asset Class	Pooled £m	Non- pooled £m	Total
Global Equities	565.3	-	565.3
UK Equities	67.8	-	68
Diversified Growth Fund	232.5	-	232.5
Fixed Income	120.8	-	120.8
Private Equity	-	30.0	30.0

Asset Class	Pooled £m	Non- pooled £m	Total
Infrastructure	21.4	29.5	50.9
Private Debt	20.3	-	20.3
Property	-	15.7	15.7
Cash	-	24.1	24.1
Total	1028.3	99.3	1,127.6
Investment Management Costs	1.9	0.6	2.5

Investment management costs totalled £2.5m in 2021/22 as disclosed in the Pension Fund Accounts. A breakdown of pooled and non-pooled investment management costs for the year is provided in the table above.

Pool set-up and ongoing costs

The table below shows pool setup and on-going costs paid to London CIV during 2021/22 and since inception:

Type of Cost	2021/22 £'000	Cumulative £'000
Set up costs		
Shareholding at cost	0	150
Development Funding Charge	85	375
Annual Service Charge	25	175
Ongoing investment management costs		
Investment management costs*	32	126
Total	142	826

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

Contact Details

The London CIV can be contacted as follows:

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

Telephone: 0208 036 9000

Website: londonciv.org.uk

Email: info@londonciv.org.uk

5. Scheme Administration

The Brent Pensions Team

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

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

The team's responsibilities include the following:

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

Operational costs

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

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

Value for Money Statement

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

The key data to confirm value for money is set out on the following pages. In summary this data confirms that the Brent Pension Fund continues to deliver a good quality service which meets the expectations of members of the fund. Overall performance over the last 12 months was 97.9%.

Summary of Activity

Performance Indicators

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

Workflow summary

The table below shows a summary of the total cases received and completed by category for the year 1 April 2021 to 31 March 2022.

Description - Top 13 Cases	Brought Forward at 01/04/21	Completed	Received	Outstanding at 31/03/2022	Performance against SLA (%) *
New Starters	29	1339	1338	28	95.8
Transfer In	145	354	356	147	96.1
Transfer Out	80	462	518	136	86.9
Estimate - Individual	21	257	250	14	82.6
Deferred Benefits	127	879	964	212	94.3
Deaths	369	751	530	148	99.2
Retirements (Immediate)	89	249	199	39	94
Retirements (Deferred)	161	613	566	114	97.9
Refunds	34	673	764	125	97.5
Estimates - Employer	9	208	216	17	91.5
Correspondence	24	427	424	21	100
Aggregation	47	251	294	90	86.7
Other	229	1327	1217	119	99.1
Total	1364	7790	7636	1210	

* Performance against SLA data for Q4 only.

Staffing

LPP currently has 3.5 FTE working on Brent administration with a ratio of 1 member of staff to 6,569 fund members. The team completed a total of 7,790 cases including other contractual cases outside of the top 13 for the period 1st April 2021 to 31st March 2022 which is an average of 2,226 cases per staff member.

Complaints

LPP now have a dedicated complaints team who deal with all complaints. This allows the complaint to be dealt with independently of the administration team and gives consistency when responding to complaints. There was a total of 24 complaints received during the year, broken down by quarter below.

Quarter	Number of complaints
Q1	6
Q2	7
Q3	3
Q4	8
Totals	24

Information on complaints is regularly presented to the Pension Board for review, with lessons learned also discussed with officers and the LPP.

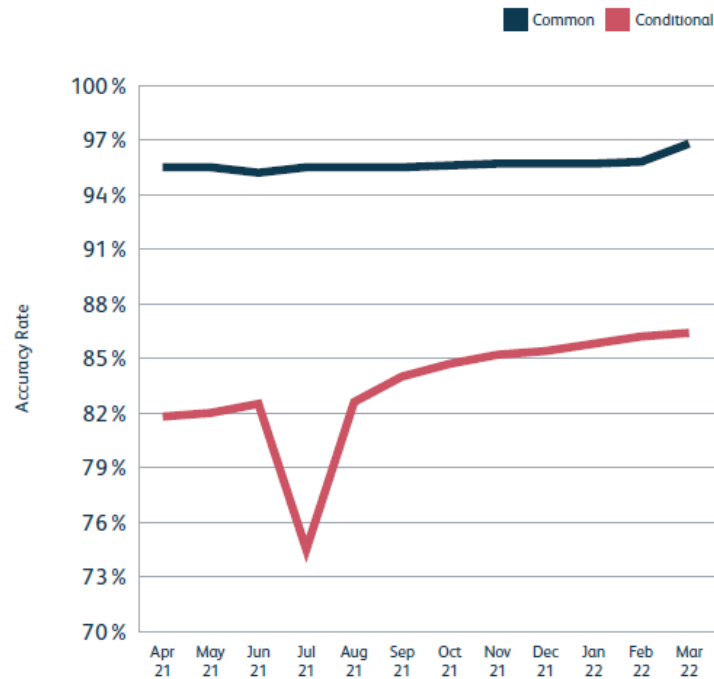
Dispute resolution procedure

There were 2 Dispute resolutions received during the period 1st April 2021 to 31st March 2022.

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

Accuracy of data

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



Financial Indicators

Unit Costs per Member

	2020/21	2021/22
Investment Management Expenses		
Total Costs £'000s	2,234	2,472
Total Membership Numbers	22,718	22,993
Cost per member £	98.34	107.51
Administration Expenses		
Total Costs £'000s	1,761	1,588
Total Membership Numbers	22,718	22,993
Cost per member £	77.52	69.06
Oversight and Governance Costs		
Total Costs £'000s	223	237
Total Membership Numbers	22,718	22,993
Cost per member £	9.82	10.31
Total cost per member £	185.67	186.88

The management fees disclosed above include investment management fees directly incurred by the Fund i.e. including those charged on pooled fund investments which tend to be deducted from the

market value of the investments rather than invoiced to the Fund. In addition to these costs, indirect costs are incurred through the bid offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

Staffing Indicators

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

	2020/21	2020/21
Number of full time equivalent staff	6.3	6.3
Total fund membership	22,718	22,993
Number of fund members to one member of administration staff	3,606	3,650

Other Information

Further information regarding analysis of the Brent Pension Fund's membership data and list of contributing employers to the Fund can be found under the Brent Pension Fund Annual Accounts for 2021-22.

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

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

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

6. Actuarial Information

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary. The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2019.

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

In summary, the key funding principles are as follows:

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

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

During 2021/22, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% of pensionable pay. Other employers have different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

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

<https://legacy.brent.gov.uk/media/16416178/200326-lb-brent-2019-actuarial-valuation-report-final.pdf>

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

Actuarial Statement for 2021/22

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

Description of Funding Policy

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

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 19 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 19 years.

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

Financial Assumptions for the 2019 Valuation of The Fund

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

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

Life Expectancy Assumptions for the 2019 Valuation of The Fund

Type of Pensioner	Males' Average Life Expectancy	Females' Average Life Expectancy
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.0 years	25.5 years

*Aged 45 at the 2019 Valuation.

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

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Peter MacRae FFA

9 May 2022

For and on behalf of Hymans Robertson LLP

7. Governance

Annual Governance Statement

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

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

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

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

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

Training

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

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

Training provided in 2021/22 included:

- An Introduction to Pension Scheme Funding
- Hot Topics in LGPS Funding
- Key Funding Issues in 2021/22
- Responsible Investment
- Climate Risk Metrics
- Climate Risk Targets
- Overview of the 2022 Valuation
- Assumption Setting for the 2022 Actuarial Valuation

Use of advisers

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

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

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

Communications with Fund employers and members

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

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

Governance Compliance Statement

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

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

Ref.	Principles	Compliance and comments
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No formal secondary committees or panels have been established.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No formal secondary committees or panels have been established.
B	Representation	
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, e.g. admission bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers, and iv) expert advisers (ad-hoc basis only).	Full compliance. The Pension Fund Sub-Committee includes a representative of the other employers in the Fund and contributor members. The Fund's investment adviser attends Pension Fund Sub-Committee meetings. Independent professional observers are not regarded as appropriate.
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
C	Selection and role of lay members	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance.
D	Voting	
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance. All representatives on the Pension Fund Sub-Committee have full voting rights, but the Sub-Committee works by consensus without votes being required.
E	Training/facility time/expenses	

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

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

8. Brent Pension Fund Accounts

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)	Sub-Total	-	(70.9)
42.3	Benefits	9	46.8
5.3	Payments to and on account of leavers	10	5.9
47.6	Sub-Total	-	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)

31 March 2021 £m	Net Assets Statement	Notes	31 March 2022 £m
1,032.3	Investment assets	13	1,127.7
0.0	-	13	0.00
1,032.3	Sub-Total	-	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 based on the latest available information, updated for movements in cash where relevant. 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.

Item	Uncertainties	Effect if actual results differ from assumptions
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

By authority	2020/21	2021/22
	£m	£m
Scheduled bodies	11.6	11.9
Admitted bodies	1.5	1.4
Total	60.9	64.1

8. Transfers in from other pension funds

Type of Transfer	2020/21	2021/22
	£m	£m
Individual transfers	5.9	6.8
Total	5.9	6.8

9. Benefits payable

By category	2020/21	2021/22
	£m	£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	2021/22
	£m	£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

Payments	2020/21	2021/22
	£m	£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

Management Expense Type	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

Type of Investment Management Expense	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

Fund Manager	2021/22 Total £m	Management fees £m	Custody fees £m	One-off transaction costs £m
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 £m	Management fees £m	Custody fees £m	One-off transaction costs £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

Fund Manager	2020/21 Total £m	Management fees £m	Custody fees £m	One-off transaction costs £m
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

Type of Investment Income	2020/21 £m	2021/22 £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

Investments asset	Market value 31 March 2021	Market value 31 March 2022
Pooled investments	897.4	986.6
Pooled property investments	0.0	15.7
Private equity/infrastructure/private debt	81.1	101.3
Total	978.5	1,103.6

13a. Investments

Investments 2021/22	Market value 1 April 2021 £m	Purchases during the year £m	Sales during the year £m	Change in market value during the year £m	Market value 31 March 2022 £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
Total	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

Investments 2020/21	Market value 1 April 2020 £m	Purchases during the year £m	Sales during the year £m	Change in market value during the year £m	Market value 31 March 2021 £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

13b. Analysis of investments by category

Category	31 March 2021 £m	31 March 2022 £m
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

13c. Analysis of investments by fund manager

31 March 2021	31 March 2021		31 March 2022	31 March 2022
Market Value	Market Value	Fund manager	Market Value	Market Value
£m	%		£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%	Total	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%

13d. Stock lending

The London Borough of Brent Pension Fund does not operate a Stock Lending programme.

14. Fair Value – Basis of Valuation

The basis of the valuation of each asset class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

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.

Investment Type	Assessed valuation range (+/-)	Value at 31 March 2022 £m	Value on increase £m	Value of decrease £m
Private equity	32.6%	30.0	39.8	20.2

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

14b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners

to the private equity funds in which Brent Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Transfers between levels will be recognised when there has been a change to observable mark data (improvement or reduction) or other change in valuation technique.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2022	Quoted market price – Level 1	Using observable inputs – Level 2	With significant unobservable inputs – Level 3	Total
£m	£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

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

14c. 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.

31 March 2021				31 March 2022		
Fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m		Fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £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)

15a. Net gains and losses on Financial Instruments

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

15b. 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	31 March 2021	Financial Instruments and Liabilities	31 March 2022	31 March 2022
Carrying Value	Fair Value		Carrying Value	Fair Value
£m	£m		£m	£m
-	-	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.

Asset Type	31/03/2022 Value (£m)	Potential market movements (+/-)
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:

Asset type	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 £m	+1% £m	-1% £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 £'000	+1% £'000	-1% £'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 £m	Asset value at 31 March 2022 £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 £m	+1% £m	-1% £m
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 £m	+1% £m	-1% £m
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 £m	Balances at 31 March 2022 £m
Bank deposit accounts	-	-	-
NatWest	A	0.9	0.9

Credit risk exposure	Rating	Balances at 31 March 2021 £m	Balances at 31 March 2022 £m
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

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its pensioner payroll costs and investment commitments.

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 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 £m	%	31-Mar-22 £m	%
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%

Liquidity Risk	31-Mar-21		31-Mar-22	
	£m	%	£m	%
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

Assets	31 March 2021	31 March 2022
	£m	£m
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

Debtor	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
Liability	£m	£m
Group transfers	0.0	0.0
Sundry creditors	3.1	2.5
Total	3.1	2.5

Analysis of creditors

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

Creditor	31 March 2021	31 March 2022
	£m	£m
Total	3.1	2.5

21. Additional voluntary contributions

Additional Voluntary Contributions	Market value 31 March 2021 £m	Market value 31 March 2022 £m
Clerical Medical	1.3	1.3
Equitable Life	0.2	0.2
Prudential	0.6	0.7
Total	2.1	2.2

Additional Voluntary Contributions	Contributions 31 March 2021 £m	Contributions 31 March 2022 £m
Clerical Medical	0.0	0.0
Prudential	0.1	0.1
Total	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

One member of the Pension Fund Sub-committee is in receipt of pension benefits from the Brent Pension Fund (chair Cllr R Johnson). 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:

Remuneration Type	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)

Investment	31st March 2021 £m	31st March 2022 £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.

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

10. Glossary

Active Management

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

Actuarial assumptions

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

Actuarial Valuation

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

Actuary

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

Administering Authority

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

Admitted Bodies

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

Alternative Investments

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

Asset Allocation / Asset Mix

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

Auditor

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

AVCs

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

Benchmark

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

Bond

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

Bulk Transfer

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

Cessation Valuation

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

Common contribution rate

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

Commutation

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

Contingent Liability

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

Covenant

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

Deficit

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

Discount rate

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

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

Dividends

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

Emerging Markets

The financial markets of developing economies.

Equities

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

Final Pay

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

Fixed Interest Securities

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

FTSE

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

Fund Manager

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

Funding Level

The ratio of assets value to liabilities value.

Funding Target

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

Future service rate

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

Gilts

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

Global Custodian

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

Guarantor

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

Hedge Fund

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

Hedging

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

Income Yield

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

Index

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

Index-Linked Securities

Investments which generate returns in line with an index.

Investment Adviser

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

Letting employer

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

LGPS

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

Liabilities

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

Mandate

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

Market Value

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

Maturity

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

Members

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

Orphan Liabilities

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

Outperformance / underperformance

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

Past service adjustment

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

Performance

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

Pooled Investment Fund

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

Pooling

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

Portfolio

Term used to describe all investments held.

Private Equity

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

Profile

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

Rates and Adjustments Certificate

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

Recovery Period

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

Regulations

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

Risk

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

Scheduled Bodies

These are organisations as listed in the Local Government Pension Scheme Regulations 1997 (Schedule 2) who must be offered membership of their local LGPS Fund as of right. These include Councils, colleges, universities, academies, police and fire authorities, etc., other than employees who have entitlement to a different public sector pension scheme (e.g., teachers, police and fire officers, university lecturers).

Securities

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

Solvency

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

SONIA

Sterling Overnight Index Average – the average of the interest rates that financial institutions charge banks to borrow sterling overnight. It is often used as a benchmark to set other interest rates or to measure returns on investments.

Stabilisation

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

Statement of Investment Principles

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

Theoretical contribution rate

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

Transfer Value

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

Unit Trust

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

Valuation

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

Yield Curve

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

11. Appendices

a. Pensions Administration Strategy

London Borough of Brent

Pension Administration Strategy (PAS)

December 2018

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1. Introduction

2. PAS Policy Statement

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6. Fees

Annex1

Appendix 1 – Regulation Extract

Appendix 2 – Employers Guide

London Borough of Brent Pension Administration Strategy (PAS)

1. Introduction

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

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

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

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

2. Pension Administration Strategy Policy Statement

2.1 Pensions Administration Strategy Statement

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

2.2 Legislative context

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

2.3 Aims

In making this strategy the Funds aims are:

- To clarify the roles and responsibilities of the “Fund” and scheme employers in administering the Local Government Pension Scheme

- To ensure the services provided by the “Fund” are equitable and transparent
- To assist employers in the effective provision of necessary data.

2.4 Objectives

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

2.5 Documents which make up the strategy

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

Pensions Administration Strategy - Service Level Agreement

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

Pensions Administration Strategy - Employer guide

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

3. Service Level Agreement

Pensions Administration Strategy - Service level agreement

3.1 Employer Functions

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

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

Task	Description
Redundancy and Severance	Calculation and payment of redundancy and/or severance payments
FRS 17	Provision of data required for FRS17 calculations

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

3.2 Actuarial Functions

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

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

Task	Description
Legal work & non-standard actuarial work	Any work in relation to this will require input from both the LPP and the Funds Actuary

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

3.3 Administering Authority Functions

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

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

Case Type/Task	Limitation	Timescale (working days)	Target (% within timescale)
Admissions	No	10	95%

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

Case Type/Task	Limitation	Timescale (working days)	Target (% within timescale)
Queries to employer			

3.4 Employer Responsibilities

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

An employer guide can be found at Annex 2.

Payments of monies due	• Monthly contributions – on time and the correct amount • Payroll Recharge – on time, and the correct amount • Capital Sums – on time, and the correct amount • Single payments of contributions
End of year error rates Examples of end of year errors • A missing joiner Form • A missing leaver Form • A missing change of hours • A missing notification of absence • Return from absence • Missing additional contributions • Significantly low/high pensionable remuneration compared to the previous year with no explanation	Respond to errors within 10 working days of notification If you are unable to respond in ten working days then inform the LPP of the likely time frame that you can respond in and advise Brent Pensions of the delay

as to the reason	
Submission of year end return	You must submit your year end return by 30th April each year If you are unable to submit your yearend return then inform the LPP of the likely time frame that you can provide it and the reason why and advise Brent Pensions of the delay
Response to other queries raised (e.g. by the LPP Pensions Services or Employer Services teams) There are times where the LPP may need to confirm with you that a member's record is correct before issuing them with a benefit calculation. It is these types of queries that we are referring to	2 weeks from notification by the LPP Pensions Operations or Data Management teams If unable to respond in 2 weeks then inform the LPP of the likely timeframe that you can respond in and advise Brent Pensions of the delay

On-line access	
Employer LPP portal "YourFund"	Use of online Forms for all relevant tasks
Submission of joiners/leavers	• Notification of joiners within 1 month of joining the scheme • Notification of leavers within 1 month of leaving the scheme • Notification of retirement within 1 month prior to the last day of service

Notification of other changes during employment	Relevant changes e.g. change of hours, absence notification online within 1 month of the event
Correct admission of members into the Fund	You must ensure that you are correctly admitting members into the "Fund"
Up to date discretions policies in place	Discretionary policies to be in place and up to date
Customer Relationship Management contacts	LPP notified of contact change or new contact within 1 month via the employers contact form

4. Staff Charging Schedule

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

VAT is charged on all applicable items.

Staffing level	Charge per day excluding VAT	Charge per hour excluding VAT
Admin Staff	£382.00	£53.00
Team Leader	£534.00	£78.00
Specialist	£534.00	£78.00
Manager	£727.00	£103.00

Staffing level	Charge per day excluding VAT	Charge per hour excluding VAT
Senior Manager	£998.00	£142.00
Director	£1,470.00	£210.00

5. Pensions Administration Strategy – Charging

5.1 Why we need to charge

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

5.2 Circumstances on when we would charge

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

5.3 Monitoring after a Levy has been made on an employer

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

6. Fees – Annex 1

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

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

Activities	Fees excluding VAT
Leaver – failure to notify the administrator of any leaver within 1 month of leaving the scheme	£60 initial fee then £25 for every month the information remains outstanding
Retirees – failure to notify the administrators when a scheme member is due to retire within 1 month before the retirement date	£60 initial fee then £25 for every month the information remains outstanding
Late payment of pension benefits – if due to an employer's failure to notify the administrator of a scheme members retirement, interest becomes payable on any lump sum paid. The administrator will recharge the total interest paid to the employer	Interest charged in accordance with regulation 44 of the LGPS administration regulations Charged at Bank of England Base rate plus 1%
Change of employer contact details - The "Fund" not notified of contact change or new contact within 1 month of alteration	£60 per occasion
Submission of pension contribution data – The "Fund" not informed by the employer of not having submitted pension contribution data or contributions within the timelines set out in this agreement	£60 per occasion

Appendix 1 - Regulation Extract

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

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

Pension administration strategy

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

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

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

(2) The matters are-

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

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

(i) the setting of performance targets,

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

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

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

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

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

- (f) the publication by the administering authority of annual reports dealing with—
 - (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - (ii) such other matters arising from its pension administration strategy as it considers appropriate; and
 - (g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.
- (3) An administering authority must—
- (a) keep its pension administration strategy under review; and
 - (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.
- (4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.
- (5) An administering authority must publish—
- (a) its pension administration strategy; and
 - (b) where revisions are made to it, the strategy as revised.
- (6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.
- (7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.
- (8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Payment by Scheme employers to administering authorities

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

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16 (contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

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

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

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

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in sub-paragraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating-

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Background

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

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

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

Now it is agreed as follows:

1. Interpretation

1.1 The following expressions have the following meanings:

“1997 Regulations”	the Local Government Pension Scheme Regulations 1997 (to the extent applicable by reason of the Transitional Regulations)
“Administration Regulations”	the Local Government Pension Scheme (Administration) Regulations 2008

“Benefit Regulations”	the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
“Core Scheme Functions”	the functions identified in the Service Level Agreement as being core Scheme functions
“Fund”	the Pension Fund
“Pension Administration Strategy Statement”	the Administering Authority’s statement prepared in accordance with Regulation 59 of the Administration Regulations as revised from time to time in accordance with that Regulation
“Regulations”	the Administration Regulations, the Benefit Regulations, the Transitional Regulations and the 1997 Regulations
“Scheme”	the Local Government Pension Scheme established by the Regulations made by the Secretary of State under sections 7 and 12 of the Superannuation Act 1972
“Service Level Agreement”	the section of the Pensions Administration Strategy Statement setting out the levels of performance which the Administering Authority and its employing authorities are expected to achieve in carrying out their Scheme functions including performance targets. The Service Level agreement may be revised from time to time as part of the Pensions Administration Strategy Statement. A copy of the Service Level Agreement current as at the date of this Agreement is included in the documentation
“Transitional Regulations”	the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 & 2013

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

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

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2. The Service Level Agreement

- 2.1 With effect from the date of this Agreement, the Administering Authority and the Employer agree to use their best endeavours to comply with and be bound by the terms of the Service Level Agreement.
- 2.2 In consideration of this Agreement the Administering Authority will charge the Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.
- 2.3 If in the opinion of the Administering Authority the Employer has not complied with the terms of the Service Level Agreement the Administering Authority may charge the Employer a higher contribution towards the cost of the administration of the Fund.
- 2.4 When considering whether to charge the Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Administering Authority shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.
- 2.5 Clause 2.3 shall not affect the Administering Authority's ability under Regulation 70 of the Administration Regulations to give written notice to the Employer where it has incurred additional costs which should be recovered from the Employer because of the Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.
- 2.6 The Employer acknowledges that the Service Level Agreement may be revised from time to time by the Administering Authority in accordance with Regulation 59 of the Administration Regulations and that the Employer will comply with and be bound by the terms of the revised Service Level Agreement.

3. Other Charges

- 3.1 The Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.
- 3.2 Where the Employer requests that the Administering Authority provides services beyond these functions the Administering Authority reserves the right to charge the Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time with the Administering Authority and the Employer.

4. Notices

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

5. Waiver

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

6. More than one Counterpart

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

7. Laws

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

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

Appendix 2 – Employer Guide

Employer Guide

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

Clean and accurate data

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

This includes:

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

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

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

Brief Summaries of Actions needed

Joining the scheme

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

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

Change of hours

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

Sick Leave

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

Unauthorised Absence

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

Unpaid leave (Including maternity/paternity/adoption leave)

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

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

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

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

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

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

Leaving the scheme

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

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

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

Monthly remittance/end of year returns

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

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

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

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

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

Using online Forms

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

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

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

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

Online Forms

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

b. Employer Numbers Table

The table below shows the Brent employers and their members' details as at 31 March 2022

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
London Borough of Brent	2526	6155	5141	879	840
Ark Elvin Academy	53	22	10	2	16
Age Concern	0	3	4	0	0
MENCAP	0	5	2	0	0
Roundwood School and Community Centre	6	0	0	0	0
Wettons (Sth Ground Maint.)	0	0	3	0	0
Wettons (Nth Ground Maint.)	0	2	5	0	0
Ark Academy	74	84	5	1	27
Torah Temimah Primary School	0	1	0	0	0
Goldsborough H&N SVC LTD	0	15	99	5	0
Churchill Contracts (BACES)	0	1	0	0	0
Churchill Contracts (Day Cent)	0	4	1	0	0
Capital City Academy	52	67	13	3	6
College of North West London	0	3	0	0	0
NWL Jewish Day School	1	10	5	0	1
Newman Catholic College	54	45	21	2	15
Kilburn Park School	12	29	3	0	4
Malorees Junior School	17	8	8	0	6
St Joseph's RC Primary School	41	36	18	5	14
Preston Manor High School	0	33	15	2	1
St Gregory's RC School	0	5	13	0	0
Copland Community School	1	36	30	4	0
Convent of Jesus & Mary Inf. Sch.	19	56	18	2	5
Claremont High School	0	17	11	1	1
Alperton High School	0	32	21	1	0
Oakington Manor (not in use)	0	10	10	1	5
John Kelly Girls Tech College	0	5	7	0	0
John Kelly Boys Tech College	0	14	3	1	1
Kingsbury High School	0	61	44	3	7
Queens Park Community School	0	22	10	2	4
National Autistic Society (NAS)	28	122	115	5	3
Kilburn Skills	0	3	9	2	0

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Sudbury Neighbourhood Centre	4	8	17	0	2
Brent Samaritans	0	0	1	0	0
Brent Crossroads	0	0	2	0	0
Pakistani Workers Association	0	0	1	1	0
Brent Association Disabled Peo.	0	1	2	0	0
Harlesden Young Mums Project	0	0	2	0	0
WISE	0	0	0	1	0
Sudbury Primary School (Acad.)	78	26	8	0	16
LEAP	5	4	1	0	0
Childcare	0	0	2	0	0
Carequest	0	0	1	0	0
Islamia Primary School	36	38	3	0	7
Claremont High School Academy	73	23	5	0	11
Brent Care at Home LTD	0	8	70	9	0
JFS School	70	49	13	0	15
Brent Housing Partnership LTD	0	6	3	0	3
Wetton Clean SVC (Nth Wembley)	0	0	3	0	0
Wetton Clean SVC (Sth Wembley)	0	1	1	0	0
Jarvis Workspace FM LTD	0	1	1	0	0
Wembley High Technology College	37	22	4	1	25
Sanctuary Housing Association	0	1	0	0	0
Alperton Community School	61	41	16	2	28
Furness Primary School (Acad.)	34	16	4	0	4
Oakington Manor Primary School	50	31	3	0	16
Queens Park Community School	43	22	10	0	16
The Crest Boys Academy	0	15	5	1	0
The Crest Girls Academy	0	11	3	0	1
Opt Out - No Liability	0	1	0	0	0
Xerox (UK) Limited	1	0	0	0	0
Alpeona HSG Ltd	1	4	3	0	0
Thames Reach Housing Ass	0	1	0	0	0
Sudbury Primary School	0	18	0	0	0

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Mount Stewart JM School	19	14	6	0	9
Braintcroft JM School	31	21	2	0	12
Brentfield JM School	65	33	6	0	9
Carlton Vale Infant School	13	14	4	0	3
Christchurch Brond COFE School	17	8	1	0	1
Elsley JM School	35	13	7	0	6
Gladstone Park Primary School	0	1	1	0	0
Kingsbury Green JM School	50	45	4	0	14
St Margaret's Clitheroe School	19	6	8	0	1
College Green Nursery	15	6	0	0	1
Wykeham JM Primary School	32	6	2	0	0
Vernon House	0	0	1	0	0
Leopold School	67	31	1	0	23
St Andrew & St Francis (Acad.)	34	26	2	0	1
Veolia	27	13	12	3	0
Veolia (Ground Maintenance)	1	1	1	0	0
Conway Aecom Ltd	1	4	0	0	0
Barnardos	8	19	2	0	2
Michaela Community School Acad.	20	7	1	0	18
Preston Manor High School	99	75	8	0	25
Ark Franklin Primary School	35	28	5	0	14
St Claudine's Catholic School for Girls	44	23	4	1	7
Gladstone Park Primary School	41	34	12	1	11
Kingsbury High School (Acad.)	85	44	11	1	32
The Crest Academy	54	15	3	0	6
Woodfield School Academy	51	17	0	0	21
NWL Jewish Day School (Acad.)	27	0	5	1	2
St Gregory's RC School (Acad.)	42	11	4	0	4
Taylor Shaw	1	2	0	0	0
Manor School (Academy)	193	27	5	1	16
Caterlink Ltd	3	0	0	0	0
Anson Primary School	22	20	1	0	3
Barham Primary School	62	37	0	0	9
Byron Court Primary School	38	21	3	0	3
Chalkhill Primary School	66	12	0	0	4

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Curzon Crescent Children's Cen	19	6	2	0	2
Donnington Primary School	25	11	2	0	3
Fawood Children's Centre	23	8	1	0	2
Fryent Primary School	56	13	4	0	10
Granville Children's Centre	30	6	1	0	2
John Keeble CofE School	41	19	2	0	4
Lyon Park Infants School	1	5	0	0	0
Lyon Park Juniors School	49	17	1	0	3
Malorees Infant	23	13	3	0	5
Michael Sobell Sinai School	52	32	0	0	4
Mitchell Brook Primary School	74	35	2	0	19
Mora Primary School	16	20	3	0	5
Mount Stewart Infants	26	11	0	0	3
Newfield School	26	12	2	0	1
Northview Primary school	24	13	1	0	3
Oliver Goldsmith	27	10	3	0	3
Our Lady Of Grace RC Infants	19	4	3	0	1
Our Lady Of Grace RC Juniors	16	1	1	0	1
Our Lady of Lourdes	20	8	1	0	2
Park Lane Primary School	37	27	3	0	6
Phoenix Arch School(Vernon House School)	12	10	1	0	2
Preston Park Primary	58	41	1	1	14
Princess Frederica Ce Va Primary School	29	14	1	0	6
Roe Green Infant School	45	14	4	0	4
Roe Green Junior School	38	10	1	0	3
Salisbury Primary Sch	55	32	2	0	5
St Mary Magdalenes School	21	6	2	0	1
St Mary's CofE School	21	11	0	0	4
St Mary's RC School	17	12	0	0	4
St Robert Southwell Catholic School	38	12	0	0	1
Stonebridge Primary School	33	15	2	0	5
The Village School	159	61	7	0	13
Uxendon Manor School	47	17	3	0	2
Wembley Primary School	67	24	2	0	6

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Harlesden Primary School	44	5	2	0	7
Compass Learning Partnership	22	2	1	0	3
Previous Service	0	0	0	0	1
London Borough-Non Member EDM	0	0	0	3	0
St Joseph's Infant School	13	7	2	0	1
St Joseph's Junior School	16	7	2	0	1
Edwards & Blake	4	3	0	0	0
FM Conway	1	0	0	0	0
DB Services	1	6	1	0	0
Total	6,039	8,468	6,019	948	1,519

London Borough of Brent Pension Fund

Funding Strategy Statement

March 2021

c. Funding Strategy Statement

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1. Introduction

What is this document?

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

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

What is the London Borough of Brent Pension Fund?

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

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

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

Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

How does the Fund and this FSS affect me?

This depends who you are:

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

What does the FSS aim to do?

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

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

How do I find my way around this document?

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

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

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

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

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

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

2. Basic Funding issues

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

How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

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

What is each employer's contribution rate?

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

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

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

What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

How does the calculated contribution rate vary for different employers?

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

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

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

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

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

How is a funding level calculated?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When will the next actuarial valuation be?

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

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

3. Calculating contributions for individual Employers

General comments

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

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

These and associated issues are covered in this Section.

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

The effect of paying lower contributions

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

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

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

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

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

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

The different approaches used for different employers

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

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

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

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

Note (c) (Maximum time horizon)

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

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

Note (d) (Secondary rate)

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

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

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

Note (e) Likelihood of achieving funding target)

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

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

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

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

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

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

Note (h) (New Admission Bodies)

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

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

- the current deficit.

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

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

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

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

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

Note (j) (Admission Bodies Ceasing)

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

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

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

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

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

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

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

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

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

Pooled contributions

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

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

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

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

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

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

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

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

Additional flexibility in return for added security

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

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

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

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

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

Non ill health early retirement costs

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

Employers must make these additional contributions as a one off payment to the Fund in the financial year following the award of an early retirement. In exceptional circumstances, the Administering Authority may at its

absolute discretion agree to spread the payment over a period not exceeding three years. If this is agreed, interest will be charged using factors provided by the actuary.

Ill health early retirement costs

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

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

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

External Ill health insurance

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

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

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

Employers with no remaining active members

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

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

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

Policies on bulk transfers

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

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;

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

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

4. Funding strategy and links to investment strategy

What is the Fund's investment strategy?

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

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

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

The same investment strategy is currently followed for all employers.

What is the link between funding strategy and investment strategy?

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

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

Does the Fund monitor its overall funding position?

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

5. Statutory reporting and comparison to other LGPS Funds

Purpose

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

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

Solvency

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

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

Long Term Cost Efficiency

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

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

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

Relative considerations include:

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

Absolute considerations include:

- 1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
- 2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;

3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

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

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

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

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

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

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

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

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in October 2019 for comment;
- b) Comments were requested to be received no later than 31st January 2020;
- c) There was an Employers Forum on 13th November 2019 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

A full copy included in the annual report and accounts of the Fund;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to employee representatives;

A summary issued to all Fund members;

Copies sent to investment managers and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the [Brent Council website](#).

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Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

operate the Fund as per the LGPS Regulations;

effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;

collect employer and employee contributions, and investment income and other amounts due to the Fund;

ensure that cash is available to meet benefit payments as and when they fall due;

pay from the Fund the relevant benefits and entitlements that are due;

invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;

communicate appropriately with employers so that they fully understand their obligations to the Fund;

take appropriate measures to safeguard the Fund against the consequences of employer default;

manage the valuation process in consultation with the Fund's actuary;

provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));

prepare and maintain a FSS and a ISS, after consultation;

notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and

monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

deduct contributions from employees' pay correctly;

pay all contributions, including their own as determined by the actuary, promptly by the due date;

have a policy and exercise discretions within the regulatory framework;

make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and

notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	Covered in the Fund's Investment Strategy Statement

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions

Risk	Summary of Control Mechanisms
	from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

e) C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.

Risk	Summary of Control Mechanisms
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (i) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

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

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

0. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
1. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),
2. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund’s actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)

at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)

with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer’s valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer’s liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

In particular, with effect from 1 April 2019, the Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

f)

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

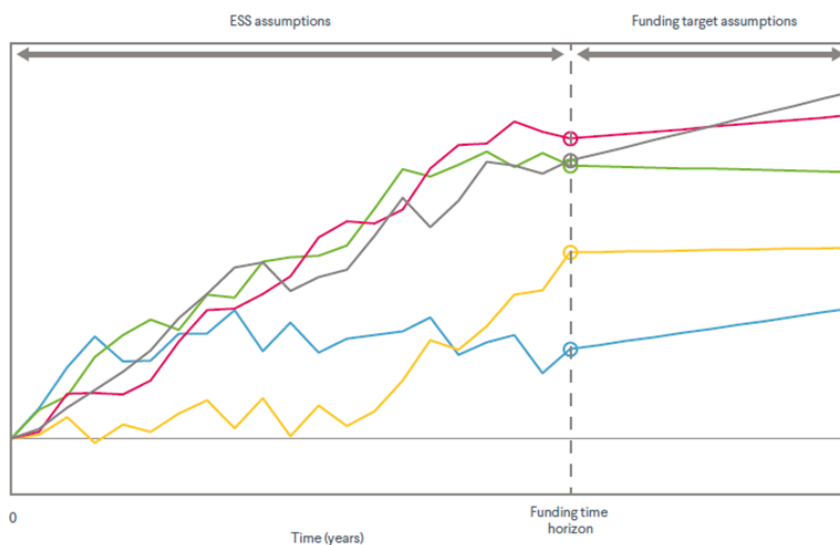
These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus 1.6% (appropriate to the basis used to allocate assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

g)

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of short term restrictions plus longer term increases linked to price inflation; the agreed blended rate is RPI less 0.7% p.a.. This is the same assumption used at the previous valuation.

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above) in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually

be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and Primary contribution rates . See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

Valuation

A risk management exercise to review the Primary and Secondary contribution rates, and other statutory information for a Fund, and usually individual employers too.

d. Investment Strategy Statement

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the London Borough of Brent Pension Fund (“the Fund”), which is administered by Brent Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 (“the Regulations”). The Regulations require administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund; they also stipulate certain key issues which must be covered in the Statement.

The ISS has been prepared by the Pension Fund Sub Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee in June 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The previous review took place in 2020 and was approved by Committee in October 2020. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.

The Fund has chosen to opt up and be classified as a Professional client as defined in the Markets in Financial Instruments Directive.

In December 2019, in line with the Competition and Market Authority’s Order, the Fund agreed a set of objectives with Hymans Robertson LLP. These are reviewed on, at least, an annual basis.

The suitability of particular investments and types of investments

The Fund’s primary objective is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The funding position will be reviewed at each actuarial valuation, or more frequently as required.

The Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions are agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Fund has the following funding principles:

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

The Committee has translated its objectives, taking into account the funding principles outlined above, into a suitable long-term strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The investment strategy takes due account of the maturity profile of the Fund (e.g. in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile;
- The level of expected risk;
- Outlook for asset returns.

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate significantly from the target allocation (accepting that, given the nature of some of the underlying investments, it may take the Fund time to move to the long-term target allocation). This is covered in more detail later in this Statement.

Providing a framework for all investment decision making to enable delivery of the above key objectives are the Fund's investment beliefs. The Fund's currently held investment beliefs which have been updated during the last review are set out in the Appendix.

Strategic allocation

The Fund's current assets include:

- Equities (UK and overseas)
- Diversified growth
- Government bonds
- Private equity
- Infrastructure
- Property
- Multi asset credit
- Private Debt

The Fund is invested in these asset classes either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks when it is deemed appropriate to do so.

The Regulations require the Fund to set out the maximum percentage relative to the total value of all investments that it will invest in particular investments or classes of investment.

The Fund's long-term strategic target investment allocation is set out in Table 1 below and includes the associated maximum percentage limits for each asset class associated with the long-term strategic

targets. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

The Regulations also require the Fund to have regards to the diversification of its investments. The overall strategic benchmark comprises a mix of different assets which provides considerable diversification for the Fund. Table 1 outlines both the long-term target and the interim stage, reflecting the time it takes to fund new mandates. The table also includes the maximum percentage (reflected by the upper limit set for rebalancing) of total Fund value that it will seek to have invested in these assets.

The strategic balance of investment takes account of the risk/return characteristics of each asset class e.g. the potential for higher long term returns from equity is balanced against an expectation of higher levels of short term volatility from this asset class; and by looking at the strategy as a whole and the interaction of the asset classes the Fund holds.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a strategy not previously known to the Committee is proposed, appropriate advice is sought and training is provided to help the Committee reach an informed decision.

Table 1: Fund allocation

Asset class	Interim Target allocation %	Long-Term Target allocation %	Upper limit for rebalancing %
UK equities	53	50	65
Overseas equities			
Private Equity	5	-	7.5
Total Growth	58	50	-
Diversified Growth Funds	20	5	25
Infrastructure	5	15	20
Property	-	10	15
Private Debt	-	5	10
Total Income	25	35	-
Multi-asset credit	5	5	10
Government bonds	10	10	15
Cash	2	-	5

Asset class	Interim Target allocation %	Long-Term Target allocation %	Upper limit for rebalancing %
Total Protection	17	15	-
Total	100	100	-

The latest investment strategy review took place during February 2020. At this time the Committee agreed the following updates to the long-term strategic allocation:

- A 5% increase in the allocation to equities;
- A new 5% allocation to private debt;
- A decrease of 10% in the allocation to diversified growth funds (DGFs).

At the same time, long term allocations to property and infrastructure were maintained at the same level (10% and 15% respectively). The Committee is aware that private market investments take time to invest in, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain its exiting target allocation to DGFs which will be monitored and regularly assessed in anticipation of its longer-term reduction in size.

The Fund's actual investment arrangements will deviate from their target over time and therefore regular monitoring takes place to prevent too much deviation from the desired strategic allocation. The rebalancing arrangements in place set out in the final section of this report.

Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have removed the previous restrictions that applied to the 2009 Regulations. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

Table 2: Investment Restrictions

Type of investment	Maximum investment by the Fund % of assets
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	15%
5. Total investment in illiquid assets	30%

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The managers of the passive funds in which the Fund invests hold a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Risk Measurement and Management

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth-oriented assets) to help it achieve its funding objectives. It has a risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Environmental, social and governance ("ESG") – The risk that ESG related factors (including climate change) reduce the Fund's ability to generate the long-term returns and/or have implications on the Fund's liabilities.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a long-term strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Fund is a long-term investor and therefore, the Committee seeks to act as a responsible asset owner. Further details of the Fund's approach to managing ESG risks are set out later in this document.

The Committee seeks to mitigate systemic risk through holding a diversified portfolio, but appreciate it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. Also the risk that, due to the illiquid nature of the asset classes, the Fund cannot implement its agreed investment strategy on a timely basis.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has rebalancing arrangements to ensure, where possible, the Fund's "actual allocation" does not deviate substantially from its target.

The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term. The Fund also holds liquid diversifying assets over the period while the agreed exposure to less liquid alternatives are being built up.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. Other factors include, but are not limited to, the Committee believing that the manager is not capable of achieving these performance objectives in the future, and/or the manager's company status changes or there are significant staff changes to their investment team. The Fund also has regular correspondence with the London CIV regarding their managers and their approach to monitoring and assessing managers.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default – The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist. Further details of the Fund's approach to pooling and relationship with the London CIV is provided in the section below.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement (Appendix C).

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the London Collective Investment Vehicle (CIV). The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to government.

Assets to be invested in the pool

The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 to government and is reviewed on a regular basis. The key criteria for assessment of Pool solutions will be as follows:

- 1 The pool enables access to an appropriate solution that is consistent with the beliefs, objectives and benchmark criteria set by the Fund and/or
- 2 There is a benefit to the Fund in investing in the solution offered by the pool.

At the time of preparing this statement the Fund has already invested the following assets via the London CIV (see table below).

Asset class	Manager
Diversified Growth Fund	Baillie Gifford
Diversified Growth Fund	Ruffer
Multi-asset Credit	CQS
Emerging Markets Equities	JP Morgan
Infrastructure	StepStone
Private Debt	TBC

In addition, the Fund has passive equity exposure to LGIM and BlackRock both of which have LGPS specific fee scales in place and have benefits of scale due to being pooled with the managers' other clients' assets. The LCIV consider these passive investments to fall under the pool umbrella.

In time, as set out in the indicative timetable for investing through the pool and in line with one of the Committee's stated beliefs, the intention is for all assets (subject to due diligence) to be transitioned

into the London CIV. The exceptions to this are the Fund's passive assets and the Fund's existing investments in closed ended funds (which will run-off over time). The Fund reserves the right to invest its assets outside London CIV where suitable Pool investment solutions are not available.

Structure and governance of the London CIV

The July 2016 submission to government of the London CIV pool provided a statement addressing the structure and governance of the pool, the mechanisms by which the Fund can hold the pool to account and the services that will be shared or jointly procured. Over time the structure and governance of the Pool may evolve at which point the Fund will outline such details in the ISS. In the meantime, further information is provided on the London CIV's website (<https://londonciv.org.uk/>)

All participants of the CIV are both shareholders and investors in the London CIV company and the governance structure enables both formal and informal scrutiny.

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. As a result, the Committee has committed to undertaking a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Once this audit has taken place the Committee intends to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c30% of the Fund's assets sit directly with the London CIV and this percentage is expected to grow over time. Once passive investments through LGIM and BlackRock are included, c90% of the Fund's assets can be considered to be pooled.

At this stage, the Committee has not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon exposure. Some flexibility may be appropriate to allow the Fund to adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the Lond.on CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- Ongoing engagement and collaborative investment practices will affect positive change through the powers of collective influence.
- We must act as responsible owners
- The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making

More detail on these beliefs can be found in the appendix.

The Committee takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee wishes to be an active shareholder and exercise its voting rights to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

In practice, the Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on at least an annual basis.

The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by LCIV's Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

Stewardship

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

The Committee is willing to consider potential investor collaboration opportunities if such opportunities offer the scope to improve engagement with companies and help increase the potential for long-term sustainable returns to be achieved. In the spirit of collective engagement, the Fund became a member of the Local Authority Pension Fund Forum (LAPFF) in 2019, through which it collaborates with other LGPS funds to magnify its voice and maximise the influence of investors as asset owner across a range of corporate governance issues. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

Appendix – Investment Beliefs

Clear and well defined objectives are essential to achieve future success - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

Long term investing provides opportunities for enhancing returns - As a long-term investor it is important that the Fund acts as an asset owner. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

Ongoing engagement is preferable to divestment – The Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

We must act as responsible owners – As asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2oC degrees.

The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making – Investment managers are responsible

for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

Equities are expected to generate superior long term returns - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However the Committee also recognise that equities can be highly volatile over the short-term.

Diversification reduces the overall volatility of the Fund's asset returns - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

Passive management has a role to play in the Fund's structure - The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

Active management can add value but is not guaranteed - the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

Private markets can offer opportunities - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.

Choice of benchmark index matters - the Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

Rebalancing policies are important – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

Fees and transaction costs matter - The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

Governance “budget” matters – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

The London CIV is the Fund’s preferred approach to implementation – the Committee recognises the potential benefits of LGPS pooling. Their preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV’s investment offering.

e. Communications Policy Statement

Introduction

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

The Communications Strategy is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulation 2013. The provision requires the Administering Authority to:

- (1) Prepare, Maintain and publish a written statement setting out its policy concerning communications with:
 - (A) Members
 - (B) Representatives of members
 - (C) Prospective members
 - (D) Scheme employers

- (2) In particular the statement must set out its policy on:
 - (A) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
 - (B) the format, frequency and method of distributing such information or publicity; and
 - (C) the promotion of the Scheme to prospective members and their employers

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication.

Pension Fund Administration

From October 2018, the London Borough of Brent delegated the pension administration service to Lancashire County Council (LCC) who have engaged the Local Pensions Partnership (LPP) to undertake their pensions portfolio. LPP was formed in 2016 through a collaboration between LCC and the London Pensions Fund Authority (LPFA) and provides pension services to the Local Government Pension Scheme, police, firefighters and other public sector funds.

Communication Responsibilities and Resources

The provision of timely, relevant information in a suitable format is key to ensuring efficient and effective communications. It is important that we consider the costs in terms of resource and staff time for all communications and work with the LPP to ensure there are appropriate systems and processes in place to facilitate these communications with our stakeholders.

Communications with Scheme Members

Our aims for communicating with our scheme members are:

- To better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team

- To encourage the use of the pension scheme website and registration to My Pension Online - Member Self Service.

The Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the Brent Pension Scheme website and Member Self Service
- Working with LPP to ensure communications are relevant and timely

Action	Audience	Media
Review and update the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web
Promote the use of the pension website https://www.yourpension.org.uk/Brent/Home.aspx	All	Web
Promote My Pension Online – Member Self Service	Active and Deferred	Web
Explore the development of My Pensions Online – Member Self Service for pensioner members	Pensioner	Web
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic

The pension scheme will provide the following communications as required, in addition to day to day individual communications with members.

Communication	Media	Frequency of Issue	Distribution	Audience
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All

Communication	Media	Frequency of Issue	Distribution	Audience
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Post to home address for targeted communication	All
Forms	Web or paper	As required	Available to download or post to home address	All
Annual Benefit Statements	Web or paper if opted out of online statements	Annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred
Road shows/ Workshops	Face to face	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1 st pension payment and every April and May. Payslip sent if a variation in £3 or more	Post to home address	Pensioner
Notice of Pensions Increase	Paper / Electronic	Annually in April	Post to home address for those who opted out of e-communication and upload to http://www.yourpension.org.uk/Brent/Home.aspx	Pensioner
Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Newsletters - Newsletters are issued as required, usually when a significant change to the scheme occurs. Pensions Increase newsletters are sent annually to advise pensioner members of the increase to their pension.

Forms – Many of the required LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and expression of wish form.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits to their normal retirement date. The associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant. For deferred members these show the current value of the pension benefits, associated death benefits and details of any individuals the member has nominated to receive the lump sum death grant. These released at the end of August and are available on My Pension Online – Member Self Service. Members can opt out of the online service and elect to receive a paper copy sent to their home address.

Pensioner payslips – The payslips are sent when a member receives their first pension payment. They are posted to the pensioner's home address.

Internal Disputes Resolution Procedure – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPP pension administration team or the Brent Pensions Projects or Contracts Manager

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the Brent Pensions website.

Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team

The Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media
Ensure pension forms are included in starter packs	New employees	Electronic
Review and update the pension website	All	Web
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic

The pension scheme will work with employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Paper	On commencing employment	Via employers	New employees
https://www.yourpension.org.uk/Brent/Home.aspx Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pensions Joiner Option Form – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website.

Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding their funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers

The Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of Your Fund, the LPP's online submission portal
- on-going promotion of the employer section of the Brent pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media
Maximise the use of the newly developed ERM employer communication database on Altair	Employers	System
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face
Review and update the pension website	Employer	Web
Work with LPP and Scheme employers to implement Your Fund.	Employer	Web

Action	Audience	Media
Work with LPP and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face

The pension scheme will provide the following communication to employers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	electronic	Annually	By email	All
Induction meeting	Face to Face	On becoming a scheme employer	By email	New scheme employers
Pension Website https://www.yourpension.org.uk/Brent/Home.aspx	Web	Continually available. Updated as required	Advertised on all communications	All
Tupe Manual and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	Via email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All

Explanation of communications

Contact sheet – A form distributed annually to all scheme employers to ensure contact details are kept up to date. Details are recorded on the ERM system on Altair

Induction Meeting – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities. An information leaflet is being updated to accompany the meeting and will be made available on the pension website once completed

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP

Tupe Manual and Admissions Policy – These documents are relevant to Letting Authorities that are looking to outsource a service to a third party supplier

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website

Pension Fund Valuation Reports – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three year period

Funding Strategy Statement – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

Communications with Representatives of Members

Pensions Committee

Our aims for communicating with Pensions Committee are:

- To provide information to enable the Committee to make decisions delegated under the Council's constitution
- To provide information to ensure the Committee are kept informed of pension related matters
- To ensure the Committee are aware of their responsibilities in relation to the Scheme

The Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	Audience	Media
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web

Action	Audience	Media
To arrange required training as and when required	Pensions Committee Members	Face to Face

The pension scheme will provide the following communication to Pensions Committee Members as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk website	Pension Committee Members and Trade Union representatives
Pensions Committee Briefings	Face to face	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to face	When there is a new Pensions Committee and as and when required	By email	Pensions Committee Members and Trade Union representatives

Explanation of communications

Pensions Committee Reports – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the Brent.gov.uk website

Pension Committee Briefings – Pension Fund officers attend each Committee meeting and provide a verbal briefing on each Committee report

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Training is shared with the Local Pension Board members where applicable

Pensions Board

Our aims for communicating with the Local Pensions Board are:

- To provide information to enable the board to assist the Scheme Manager in executing their duties
- To provide information to ensure the board are kept informed of pension related matters
- To provide training with regards to investment and administration matters

The Key actions will be:

- To submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

Action	Audience	Media
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web
To arrange required training as and when required	Local Pension Board	Face to Face and online

The pension scheme will provide the following communication to the Pension Board as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk and yourpension.org.uk websites	Local Pension Board
Local Pension Board Briefings	Face to face	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board

Communication	Media	Frequency of Issue	Distribution	Audience
Training sessions	Face to face and online	Before each board meeting. Continual self- development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board

Explanation of communications

Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

Other Stakeholders

Pension Fund Manager (Finance)

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

Local Pensions Partnership

The scheme manager is responsible for monitoring the administration contract with the Local Pensions Partnership. Monthly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

Investment Fund Managers

Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

Trade Unions

Trade unions in the London Borough of Brent are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

The Audit Findings for London Borough of Brent Pension Fund

Year ended 31 March 2022

September 2022

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Your key Grant Thornton team members are:

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Section

1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Action plan
- B. Audit adjustments
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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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements	
Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: - the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and - have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. Our audit work was completed on site/remotely during July-September. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position.	Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters; - final manager, and partner review of the audit file and resolution of any residual queries arising; - completion of Level 2 and 3 testing – awaiting response from individual fund managers; - subsequent events confirmation; - receipt of management representation letter; and - review of the final set of financial statements. We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 29 September 2022. These outstanding items have been detailed on Page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of 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.

We have revised the performance materiality due to the actual net assets changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table on the right our determination of materiality for Brent Pension Fund.

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	11,338,000	This represents 1% of the Net Assets reported at 31 March 2022.
Performance materiality	7,936,600	This represents 70% of the Materiality threshold above. This has been reduced from the planning stage from 75%.
Trivial matters	396,800	This balance is set at £800k being 5% of the overall materiality.



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
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 have: • 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. Our audit work has not identified any issues in respect of management override of controls.
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.	We have: - Evaluated management's processes for valuing Level 3 investments; - Reviewed the nature and basis of estimated values and considered the assurance management has over the year-end valuations provided for these types of investments, against the requirements of the Code; - Independently requested year-end confirmations from investment managers and custodian; - Obtained audited financial statements for Capital Dynamics (Private Equity/infrastructure), LCIV Infrastructure, LCIV Private Debt and Alinda (Infrastructure) as at 31 December 2021 and we have reconciled any cash movements between the intervening period to 31 March 2022. For one of the sub-funds within Capital Dynamics, the 31 December 2021 audited financial statements are not available, the value of this fund is £120k and as such, we have ensured that the impact of this is clearly trivial; - For all funds, reviewed investment manager service auditor report on design effectiveness of internal controls. Our audit work is substantially complete subject to fund manager response to the queries raised for Capital Dynamics. Our work to date has not identified any issues.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
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.	We have: - performed detailed testing over security management, technology acquisition and infrastructure as well as development and maintenance - evaluated 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 - reconciled opening balances at month seven to closing balances at month six, including reconciliations of the general ledger, accounts payable, accounts receivable and assets - In addition to the above procedures, our IT auditors performed 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 have followed up on work which our IT specialist recommended us to do which was to ensure that a bank reconciliation was carried out in both R12 (the old system) and Oracle Cloud (the new system) in the month which the system implementation occurred. Our work on the New System Implementation is complete. We have nothing else to bring to the attention of the Audit and Standards Committee apart from the point we have raised above.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £101.3m	The Pension Fund has investments in the following: - Capital Dynamics (Private Equity and Infrastructure) that in total are valued on the balance sheet as at 31 March 2022 at £36.2m; - Alinda (Infrastructure) that in total are valued on the balance sheet as at 31 March 2022 at £23.4m; - LCIV (Infrastructure) that in total are valued on the balance sheet as at 31 March 2022 at £21.4m; and - LCIV (Private Debt) that in total are valued on the balance sheet as at 31 March 2022 at £20.3m. Management have reviewed the year end valuations provided by the Fund Managers including the audited financial statements dated 31 December 2021. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management have used the cash flows adjusted valuation provided by the custodian, Northern Trust. The value of the investment has increased by £20.2m in 2020/21, largely due to the increase in LCIV Infrastructure by £9.6m and acquisition of LCIV Private Debt in 2021/22.	From the procedures undertaken: - We have deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. - We are satisfied that the movements between 31 December 2021 and 31 March 2022 are reconciled to appropriate and known movements in the intervening period. For one of the sub-funds within Capital Dynamics, the 31 December 2021 audited financial statements are not available, the value of this fund is £120k and as such, we have ensured that the impact of this is clearly trivial. - We are satisfied that the method, data and assumptions used by management to derive the accounting estimate is appropriate. - We are satisfied that the disclosure of the estimate in the Fund's financial statements is sufficient. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. Our work to date has not identified any issues. We will update the Audit and Standard Committees of our findings on completion of our work.	Light Purple
Assessment - Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated - Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic - Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious - Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious			

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,002.3m	The Pension Fund have investments in Pooled investments and Pooled property investments, which in total are valued on the balance sheet as at 31 March 2022 at £1,002.3m The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective. The Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.	From the procedures undertaken: - We have reviewed the estimation process for the Level 2 investments and are satisfied that these are in line with industry standards. - We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. - We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. Our work to date has not identified any issues. We will update the Audit and Standard Committees of our findings on completion of our work.	Light purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

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Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report as part of the December 2022 Audit and Standards Advisory Committee.

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3. Independence and ethics

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 and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Action plan – Audit of Financial Statements

We have identified 4 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Segregation of duties conflicts between finance and system administration roles in Oracle Cloud. Our audit identified the following segregation of duties conflicts for users in Oracle Cloud: - A Senior Finance Analyst had access to the Application Implementation Consultant and IT Security Manager roles. - A Senior Finance Analyst had access to six Brent L3 Support roles. - The Head of Finance had access to the IT Security Manager role. - Five finance users who had access to the Financial Integration Specialist role (we note that this access was revoked on 14 April 2022). 13 members of the Payroll team and four members of the Learning and Development team who had access to the Brent HCM Application Administrator role. The Pension Fund confirmed that some of these users required this level of access to complete the closedown process for the production of the financial statements. Risk Bypass of system-enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters.	It is recommended that the Pension Fund undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Furthermore, the Pension Fund should undertake an assessment of the specific access that is required to complete the year end closedown process and build custom roles within Oracle Cloud rather than assigning powerful system administrator roles. Management response This finding is acknowledged and Brent have since implemented a plan to remove the security roles from the users post 31-Mar-2022 and this is being tracked to ensure sufficient controls are in place to avoid this risk in the future. A review will be carried out to assess the feasibility of building custom roles and taking into account cost, time and expertise needed to build these in time for the 2022/23 year end process.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements cont'd

Assessment	Issue and risk	Recommendations
Medium	Lack of audit logging in Oracle Cloud. Our review identified that whilst audit logging is available within Oracle Cloud, this has not been enabled. Risk Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database.	It is recommended that the Council implement audit logging for financially critical areas including, but not limited to: • Accounts Payable (including Suppliers); • Cash Management; • Accounts Receivable; and • General Ledger. The auditing should be sufficiently detailed to capture any changes made to Oracle Cloud such as changes to workflow approval rules or system configurations. Management response This finding is acknowledged a review will be carried out on the impacts of turning on audit logging for these areas in terms of cost, system performance and dependencies.
Low	Monitoring of scheduled processes. Our audit identified that exception report notifications are configured to be sent to the Senior Finance Analyst, rather than the internal Oracle Cloud Support team. Risk Restricting exception report notifications to certain individuals increases the risk that exceptions are not identified and resolved in a timely manner in their absence. This could result in incomplete or inaccurate financial information being posted between accounts within Oracle Cloud.	It is recommended that the Council configure all exception report notifications, for key financial scheduled processes, to be sent to a shared mailbox so that they can be monitored and resolved in a timely manner by the Oracle Cloud Support team. Management response This finding is acknowledged and a review will be carried out determine how these notifications could be efficiently routed to the Oracle Cloud Application Support (OCAS) Team and which notifications should be in scope.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements cont'd

Assessment	Issue and risk	Recommendations
Low	Project documents maintained in an unsecured format. Our audit identified that draft 'solution design documents', with unaccepted track changes, for a number of key process areas of the Oracle Cloud project were kept on the project SharePoint site. These documents could be accessed by staff from the Council's System Integrator and Infosys teams. Risk There is a risk that unauthorised changes could be made to the solution design documents, which could result in processes and controls not operating as anticipated. This could also result in financial misstatement through fraud or error if certain controls are not implemented as planned.	For future major projects, it is recommended that the Council consider the following measures to help safeguard key project documentation: • Ensuring that changes to key documents are authorised before processed, reviewed by someone independent of the author with any comments arising being addressed in a timely manner. • Restricting access to editable versions of documents to authorised personnel, which should exclude the System Integrator team. • Publishing PDF versions of key documents for use by the project team, these documents should include version control information such as dates when they were signed off and by whom. Management response This finding is acknowledged and a full review of the SharePoint site where project documentation is stored is being carried out to restrict access or editing rights. Following this any documentation published or circulated should be in PDF format.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Minor presentational and disclosure issues	The audit team propose that the Pension Fund amend all other minor and presentational issues highlighted in the audit. Management response This will be updated.	✓

C. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Indicative Final fee
Pension Fund Audit	£37,808	£37,808
Additional fee for work arising from delayed response from Management and the investment managers		£2,500
Total audit fees (excluding VAT)	£37,808	£40,308

Details of variations in final fees from the proposed fee per the audit plan

The fees reconcile to the financial statements.



	Pensions Fund Sub-Committee 05 October 2022
	Report from the Corporate Director Finance and Resources
2022 Valuation - Funding Strategy Statement Update	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	OPEN
No. of Appendices:	Two 1 - Funding Strategy Statement (FSS) – Hymans Robertson update 15 Sep 2022 2 - Current Funding Strategy Statement
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

- 1.1 This report provides an update from the Fund Actuary to highlight the key changes being considered for the 2022 Funding Strategy Statement (FSS) review.

2.0 Recommendation(s)

- 2.1 The Committee is asked to note the key changes for the 2022 Funding Strategy Statement (FSS), that the draft FSS will be consulted with employers as required by LGPS Regulations, and that the FSS will come back to the committee in February 2023 for formal ratification.

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 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.
- 3.4 Attached in Appendix 1, is an update from the Fund Actuary to highlight the key changes being considered for the 2022 FSS review. These include:
- A review of the structure of the document. The existing single document will be replaced with a 'core' document and 'satellite' policies.
 - A review of funding assumptions for the 2022 valuation.
 - A summary of work undertaken relating to climate risk.
 - To update the FSS in relation to new regulations relating to employer flexibilities and exit credits.
- 3.5 The existing FSS is attached in Appendix 2 for reference.
- 3.6 The draft FSS will be produced by the Fund actuary in the coming weeks. In line with LGPS regulations, the FSS will be subject to formal consultation with employers. This is currently scheduled for autumn 2022. The final version of the FSS will be presented to the Sub-committee at the February 2023 meeting for approval and will incorporate any amendments from comments received during the consultation period.

4.0 Financial Implications

- 4.1 There are no direct financial implications arising from this report. The Fund is required to produce an FSS which sets out the underlying assumptions and principles that are adopted when valuing the Fund's liabilities and setting

contribution rates. Appropriate contribution rates by the various employers are necessary for the Pension Fund to improve its funding level.

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

Corporate Director Finance and
Resources

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Funding Strategy Statement (FSS) – Hymans Robertson update 15 Sep 2022

Background

Under LGPS Regulations, all funds have a statutory obligation to produce an FSS. It is a key document for the Fund, in two ways:

- 1 The inputs it requires: the Fund's officers and Pension Fund Sub-Committee need to go through a process to be satisfied that the Fund is managing funding risks and will be collecting an appropriate level of contributions from all employers in the Fund. The FSS provides a helpful framework for organising this process and covering all the necessary areas.
- 2 The outputs it gives: the finalised FSS itself should be a clear and transparent reference point for the Fund's stakeholders, to set out how the Fund manages funding risks and provide evidence that the contribution arrangements are solidly derived, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

The FSS is prepared in collaboration with the Fund Actuary and forms an integral part of the triennial valuation. The FSS also outlines how the funding strategy fits in with the investment strategy.

The [current FSS](#) was approved by the Sub-Committee on 25 February 2020 as part of the 2019 triennial actuarial valuation.

2022 FSS review

The 2022 review has focussed on adapting the FSS to the changing regulations and environment within which the Fund operates.

The evolving challenges, increasing diversity of employers and growing complexity and regulation in the LGPS over the last few years have together meant the FSS has become increasingly unwieldy. While the purpose of the FSS is to act as a compliant and robust reference document, it is acknowledged that a more streamlined document and modular approach to policies would improve accessibility and useability - ultimately making it more practical for all stakeholders (particularly employers).

The revised structure will be a streamlined "core" FSS document which is complemented by a number of "satellite" policy documents. This will replace the current approach of having a single FSS covering all circumstances.

- The **core document** will include all the funding information required by LGPS Regulations and Statutory Guidance. It will also be restructured into sections within an LGPS employer's lifecycle (ie arrangements on joining, calculating assets and liabilities, setting contributions, arrangements on leaving, etc).
- The **satellite policies** will work both to complement the core FSS and also as standalone documents in their own right. These documents will set out the Fund's policies with regards to specific elements of strategy and include more details on process and practicalities. These will cover areas such as cessations, contribution reviews, contribution prepayment requests, and the specific issues for academies.

Alongside the restructure there are regulatory and other updates required since the current FSS was prepared. The most significant changes to bring to the Sub-Committee's attention include:

1. Review of funding assumptions

The actuary has reviewed the funding assumptions as part of the 2022 valuation. These have been updated to reflect emerging experience and market conditions as at 31 March 2022. The Sub-Committee considered and agreed these at its 21 February 2022 meeting, and they need to be incorporated into the FSS.

2. Climate risk

The Fund recognises that climate change is a key risk due to the open-ended time horizons of the liabilities. As part of the modelling analysis for reviewing the Council's contribution strategy, the actuary stress-tested the results under additional climate scenarios.

The modelling results under the stress tests were slightly worse than the core modelling results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks.

The Fund's FSS should clarify this recent work.

3. Employer flexibilities

In September 2020 the Government introduced new legislation to permit LGPS Funds to treat employers more flexibly if necessary, in particular:

- Allowing a review of the employer's contribution rate between triennial actuarial valuations if the employer's circumstances change materially;
- If an employer leaves the Fund, with a cessation debt to pay, this can be spread over a number of years rather than having to be paid in a single lump sum;
- If an employer wishes to leave the Fund but does not wish to trigger a cessation debt, this can be arranged via a "Deferred Debt Agreement", whereby the employer remains active in the Fund even though it has no employee members.

The Fund's FSS needs to confirm the Fund's policies in these areas.

4. Exit credits

If an employer leaves the Fund with a surplus position, prior to May 2018 there was no facility for this to be repaid to the employer. Legislation in May 2018 changed that, introducing the possibility of an "exit credit" being paid by the Fund to such an employer.

The legislation triggered a number of queries and issues, however, and so in 2020 there was further regulation to clarify these points. The Fund's FSS therefore needs to allow for these updates.

FSS - next steps

Following this meeting, a draft version of the FSS and policies will be issued to all participating employers for comment alongside their 2022 valuation results: LGPS Regulations require the FSS to be subject to formal consultation. This will likely take place during November 2022.

Following the end of the consultation period, any comments received may lead to amendments to the document. The Sub-Committee will then be asked to approve the final version of the FSS at its 20 February 2023 meeting thus allowing the Actuary to sign off the final valuation documents in time for the statutory deadline of 31 March 2023.

London Borough of Brent Pension Fund

Funding Strategy Statement

March 2020

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1. Introduction

1.1 What is this document?

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

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

1.2 What is the London Borough of Brent Pension Fund?

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

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

1.4 How does the Fund and this FSS affect me?

This depends who you are:

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

1.5 What does the FSS aim to do?

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

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

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

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

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

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

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

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

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

2. Basic Funding issues

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

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

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

2.2 What is each employer's contribution rate?

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

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

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

2.4 How does the calculated contribution rate vary for different employers?

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

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

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

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

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

2.5 How is a funding level calculated?

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

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

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

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

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

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

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

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

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

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

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

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

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

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

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

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

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

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

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

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

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

2.8 When will the next actuarial valuation be?

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

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

3. Calculating contributions for individual Employers

3.1 General comments

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

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

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

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

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

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;

- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

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

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

3.3 The different approaches used for different employers

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

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

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

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

Note (c) (Maximum time horizon)

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

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

Note (d) (Secondary rate)

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

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

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

Note (e) Likelihood of achieving funding target)

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

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

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

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

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

- v. The new academy's actual contribution rate will be as per the Council rate, expressed purely as a percentage of pensionable pay. This applies whether or not the theoretical rate is above the Council rate. All other things being equal, this will mean some academies taking longer to pay off their deficit (where the theoretical rate is higher than the Council rate), or paying off the deficit more quickly (where the theoretical rate is below the Council rate).

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

Note (h) (New Admission Bodies)

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

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

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

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

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

Note (i) (New Transferee Admission Bodies)

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

membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

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

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

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

redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

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

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

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

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a [x%] loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which,

to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

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

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

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

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

3.4 Pooled contributions

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

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

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

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

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

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

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

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

3.5 Additional flexibility in return for added security

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

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

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

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

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

3.6 Non ill health early retirement costs

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

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

3.7 Ill health early retirement costs

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

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

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

3.8 External ill health insurance

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

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

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

3.9 Employers with no remaining active members

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

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

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

3.10 Policies on bulk transfers

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

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

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

4. Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

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

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

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

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

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

4.4 Does the Fund monitor its overall funding position?

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

5. Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

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

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

5.2 Solvency

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

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

5.3 Long Term Cost Efficiency

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

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

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

Relative considerations include:

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

Absolute considerations include:

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

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

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

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

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

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

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

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

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in October 2019 for comment;
- b) Comments were requested to be received no later than 31st January 2020;
- c) There was an Employers Forum on 13th November 2019 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

A full copy included in the annual report and accounts of the Fund;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to employee representatives;

A summary issued to all Fund members;

Copies sent to investment managers and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at

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

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
11. prepare and maintain a FSS and a ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk.

Risk	Summary of Control Mechanisms
	Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	Covered in the Fund's Investment Strategy Statement

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal

Risk	Summary of Control Mechanisms
	valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks.

Risk	Summary of Control Mechanisms
	Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

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

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)
2. at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;

6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

In particular, with effect from 1 April 2019, the Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic

indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus 1.6% (appropriate to the basis used to allocate assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of short term restrictions plus longer term increases linked to price inflation; the agreed blended rate is RPI less 0.7% p.a.. This is the same assumption used at the previous valuation.

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above) in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate	The difference between the employer's actual and Primary contribution rates . See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the Primary and Secondary contribution rates, and other statutory information for a Fund, and usually individual employers too.

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	Pensions Fund Sub-Committee 05 October 2022
	Report from the Corporate Director Finance and Resources
2022 Valuation - Whole Fund Results	

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)	PART EXEMPT - Appendix 1 is exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	One Actuarial valuation at 31 March 2022 (exempt from publication)
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst Rubia Jalil, Finance Analyst

1.0 Purpose of the Report

- 1.1 The purpose of this report is to update members on the 2022 valuation initial results at 31 March 2022.

2.0 Recommendation(s)

- 2.1 The Committee is asked to note the progress of the valuation.
- 2.2 The Committee is asked to note the Whole Fund results and the improved funding position since the 2019 valuation.

3.0 Detail

- 3.1 The valuation results sets out the contribution rates of the various employers for the period 2022/23 through 2024/25. Its key document is the Funding Strategy Statement that sets out the Pension Fund's strategy to achieve an appropriate funding level and manage risk appropriately.
- 3.2 The whole fund results look at the overall funding level. Various employers will have different funding levels based on contribution rates in the past. Some will also have very different levels of risks, such as smaller bodies with no guarantee are a high risk whereas academies are guaranteed in effect by the Department for Education. Brent Council, as by far the largest employer in the Fund and has a funding level broadly consistent with the overall fund.
- 3.3 The report presents the funding position of the London Borough of Brent Pension Fund on the valuation date of 31 March 2022. It explains why the funding position has changed since the last valuation in 2019 and shows the sensitivity of the funding position.
- 3.4 The high level funding results are summarised below. These results are compared to the 2019 formal valuation to show how funding level has improved as at 31 March 2022. The liabilities have increased by £193m, asset values have increased by £278m and therefore the deficit has been reduced by £85m.

Valuation Date	31 March 2022 (£m)	31 March 2019 (£m)	31 March 2016 (£m)
Liabilities	1,297	1,104	1,238
Assets	1,134	856	676
Surplus/(Deficit)	(163)	(248)	(562)
Funding Level	87%	78%	55%

As shown in the table above, the overall funding level has improved to 87% compared to 78% at the previous valuation and 55% at the 2016 valuation. The increases to funding level reflect significant progress made in the overall financial health of the pension fund, reflecting higher than expected investment returns and improved data quality.

- 3.5 The Fund actuary, Hymans Robertson, will now focus on analysing data for individual employers within the Fund and issuing draft employer results. The Fund will also be holding an employers' forum in November 2022 to communicate the valuation results to the employers.
- 3.6 The below table outlines progress on the high-level valuation timetable.

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

4.0 Financial Implications

- 4.1 These are discussed throughout the report. The triennial valuation will set employer contribution rates for the following three financial years. Employer contributions are the single largest component in the Pension Fund's yearly cash inflow. Appropriate contribution rates by the various employers are necessary for the Pension Fund to improve its funding level.

5.0 Legal Implications

- 5.1 The valuation is a statutory process conducted every three years that ensures the Pension Fund is both compliant with LGPS regulations and has a viable long-term funding strategy.

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

Corporate Director Finance and
Resources

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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	Pensions Fund Sub-Committee 05 October 2022
	Report from the Corporate Director Finance and Resources
2022 Valuation - Employer Contribution Strategy	

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)	PART EXEMPT - Appendix 1 is exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	One Review of LB Brent Contribution Strategy (exempt from publication)
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director Finance and Resources Ravinder Jassar, Deputy Director of Finance Flora Osiyemi, Head of Finance Sawan Shah, Senior Finance Analyst

1.0 Purpose of the Report

- 1.1 This report presents analysis from the Fund's actuary regarding the contribution rate strategy for the Council for the 3 years from 1 April 2023.

2.0 Recommendation(s)

That the Pensions Fund Sub-Committee:

- 2.1 Approve the employer contribution rate for the next three financial years for Brent Council, as set out in section 3.15 of this report and Appendix 1.

3.0 Detail

- 3.1 Every three years, a formal valuation of the whole Fund is carried out under Regulation 62 (1) of LGPS Regulations 2013 to assess and examine the ongoing financial position of the Fund. Its purpose is to value the assets and liabilities of each individual employer and the pension fund as a whole, with a view to setting employer contribution rates which will result in each employer's liabilities becoming as close to fully funded as possible over the agreed recovery period outlined in the Funding Strategy Statement (FSS).
- 3.2 In line with the valuation process, the council commissioned a contribution rate modelling exercise to allow the Officers to consider a long term funding strategy for the stabilised employers within the Fund, that is, Brent Council, local authority schools and most academy schools in Brent.
- 3.3 The Fund actuary (Hymans Robertson) considers the following factors when setting contribution rates:
- The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies).
 - The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;
 - The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).
- 3.4 There is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to maintain reasonably stable employer contribution rates to be able to run their organisations appropriately.
- 3.5 The Fund permits options such as stabilisation, a mechanism to limit employer contribution rate variations from year to year, where the Administering Authority has reasonable confidence that an employer will still be able to meet its obligations for many years to come. This currently only applies to the London Borough of Brent.
- 3.6 As part of the contribution rate modelling, the Fund actuary has considered downside risk (a permanent fall in asset values).
- 3.7 A similar exercise was completed in the 2019 valuation when it was agreed to freeze the contribution rate at 35% for the financial years 2020/21 – 2022/23.

- 3.8 Four contribution rate scenarios for the Council were modelled under 5,000 different outcomes for future market and economic conditions. The contribution rate scenarios are projections of how Council contributions may increase or decrease over time. The scenarios modelled are:
- Freeze contributions for 3 years and then revert to stabilisation;
 - Step down contributions by 1% in each of the next three years and then stabilisation;
 - Step up contributions by 1% in each of the next three years and then stabilisation;
 - Step down contributions by 1.5% in each of the next three years and then a wider stabilisation parameter in the following years.
- 3.9 The contribution rate scenarios have been reviewed from four different perspectives:
- 20 year time horizon – in line with the 2019 valuation;
 - 17 year time horizon – considering progression since to 2019;
 - Impact of asset shock (10% reduction in asset values);
 - Impact of lump sum contributions.
- 3.10 Hymans measure the four scenarios against two measures - Likelihood of being fully funded at the end of the deficit recovery period and average funding levels in the worst 5% of modelled scenarios.
- 3.11 The full results are shown on pages 23-26 in restricted Appendix 1.
- 3.12 The results are generally positive and suggest that a rate in the range of 30-35% is broadly the “right level”. Stepped reductions of either 1% or 1.5% of pay each year (i.e. combined reduction of 3-4.5% of pay over the triennial period) give acceptable results although it should be appreciated there is a reasonable chance that reductions would need to be reversed later. Lump sum contributions only make a small difference to the results. The impact of an asset shock also does not change any of the conclusions.
- 3.13 The contribution strategies have also been modelled with reference to climate change risk. The results are worse when stressed under the three different climate scenarios, however the likelihood of success over the funding horizon in all three scenarios is greater than or equal to 75%.
- 3.14 Based on the results of this modelling work and discussions with the Fund Actuary and Council officers, officers propose to reduce the employer contribution rate by 1.5% per year for the 3 years up to 31 March 2026 because there is an acceptable likelihood of success (in excess of 75%) and acceptable downside risk. Further detail is provided in the full version of this report attached in restricted Appendix 1.
- 3.15 This report recommends to approve the contribution rate for the next three financial years for Brent Council, as 33.5% for 2023/24, 32% for 2024/25 and 30.5% for 2025/26.

4.0 Financial Implications

- 4.1 Employer contributions are the single largest component in the Pension Fund's yearly cash inflow. Appropriate contribution rates by the various employers are necessary for the Pension Fund to improve its funding level.
- 4.2 The Fund actuary has modelled 4 different contribution rate scenarios for the Council and the results support reductions in Council contribution rates over the next three years. Stepped reductions of 1% or 1.5% of pay each year are acceptable and have a high likelihood of success over the funding time horizon.

5.0 Legal Implications

- 5.1 The triennial valuation is a statutory process conducted every three years that ensures the Pension Fund is both compliant with LGPS regulations and has a viable long-term funding strategy. The setting of employer contribution rates feeds in to achieving a viable long-term funding strategy, with the Council ensuring it has a robust Funding Strategy Statement and Investment Strategy Statement.

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

Corporate Director Finance and
Resources

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of the Local Government Act 1972.

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