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Brent Pension Fund Sub-Committee

Wednesday 4 October 2023 at 6.00 pm

Boardrooms 4, 5 & 6 – Brent Civic Centre, Engineers Way, Wembley, HA9 0FJ

Please note that this meeting will be held as a physical meeting with members of the Sub-Committee required to attend in person.

The press and public are also welcomed to attend this meeting in person. Please note that this meeting is not scheduled for live webcasting.

Membership:

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

Non Voting Co-opted Members

Elizabeth Bankole — Brent Unison Representative

For further information contact: Adam Woods, Governance Officer
Tel: 0208 937 4737; Email: Adam.Woods@brent.gov.uk

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Notes for Members - Declarations of Interest:

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

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

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

***Disclosable Pecuniary Interests:**

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

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

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

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

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

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

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

****Personal Interests:**

The business relates to or affects:

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

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

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

or

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

- You yourself;

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

Agenda

Item		Page
1	**Apologies for Absence**	
2	**Declarations of Personal and Prejudicial Interests** Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.	
3	**Minutes of the Previous Meeting** To approve the minutes of the previous meeting held on 27 June 2023 as a correct record.	1 - 12
4	**Matters Arising** To consider any matters arising from the minutes of the previous meeting.	
5	**Deputations (if any)**	
6	**Investment Monitoring Report - Quarter 2 2023** To receive the Brent Pension Fund Quarter 2 2023 Investment Monitoring Report.	13 - 28
7	**Brent Pension Fund: Annual Report and Accounts 2022/23** This report provides an update on the Pension Fund Annual Report and Accounts for the year ended 31 March 2023 and the draft Investment Strategy Statement (ISS).	29 - 234
8	**DLUHC Consultation on LGPS Investments** This report relates to the consultation launched by the Department for Levelling Up, Housing and Communities (DLUHC) regarding the investments of the Local Government Pension Scheme (LGPS). The report covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.	235 - 250

9	**Local Authority Pension Fund Forum Update**	251 - 272

This report updates the Committee on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund.

10	**Presentation from PIRC Investment Benchmarking - Performance to March 2023**	273 - 286

To receive an update from Pensions & Investment Research Consultants regarding the Fund’s performance as of March 2023.

11	**Minutes of Pension Board - July 2023**	287 - 298

To note the minutes of the Pension Board meeting held on 24 July 2023.

12 Exclusion of the Press and Public

To consider the exclusion of the press and public from the remainder of the meeting as the remaining report to be considered contains the following category of exempt information as specified in Paragraph 3, Part 1 Schedule 12A of the Local Government Act 1972, namely:

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

13	**London CIV Update**	299 - 416

This report updates the Committee on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV).

14 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 their representative before the meeting in accordance with Standing Order 60.

LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE
Held in Boardrooms 4, 5 & 6, Brent Civic Centre on Tuesday 27 February 2023 at 6.00 pm

PRESENT: Councillor Johnson (Chair) and Councillors Choudry, Dixon, Miller, Kennelly, Kansagra.

Elizabeth Bankole (Independent Co-Opted Member).

Also present: David Ewart (Independent Chair – Pension Board).

1. **Apologies of Absence**

The Committee received apologies for absence from Councillors Mitchell (Vice-Chair) and Hack. It was noted that Councillor Dixon was attending as a substitute member in place of Councillor Mitchell.

2. **Declarations of Personal and Prejudicial Interests**

The following interests were declared at the meeting:

- Councillor Johnson declared a personal interest as a member of the Brent Pension Scheme given his status as an ex-council employee. and in his current capacity as Vice-Chair of Governors at Chalkhill Primary School, with the school also members of the Pension Scheme.

3. **Minutes of the Previous Meeting**

RESOLVED: That the minutes of the previous meeting held on 20 February 2023 be approved as an accurate record of the meeting.

4. **Matters Arising**

In referencing the Investment Strategy Review - page two, bullet point three of the minutes of the previous meeting, the Committee queried whether cash flow analysis had been undertaken by Hymans Robertson. In response, the Committee were advised that cash flow analysis was regularly completed by Council officers and recent analysis showed that the Fund would continue to be cashflow positive despite a reduction in contributions. However, it was reiterated that additional cash flow analysis could be arranged if the Committee deemed it necessary.

5. **Deputations (if any)**

No deputations were received.

6. **Investment Monitoring Report – Quarter 1 2023**

James Glasgow (Senior Investment Analyst, Hymans Robertson LLP) presented the report, which outlined the performance of the Brent Pension Fund over the first quarter of 2023.

Regarding the overall performance of the Fund, the Committee heard that the Fund had posted positive returns over the quarter, ending the period with a valuation of £1,116.4m, up from £1,072.1m at the end of Q4 2022. Comparing the Fund's performance against the benchmark, the Fund had underperformed by 0.6%, returning 2.7% vs the target of 3.3%. Nevertheless, when focussing on performance over the last three years, the Fund had overperformed the benchmark by 1.4% which was said to be encouraging. The Fund's strongest asset was global equities, which returned 3.1% over the quarter, and a fall in yields over the quarter saw positive returns from the UK government bond market.

In discussing the Fund's asset allocations, the Committee noted that, following the agreement of the investment strategy review at the 20 February 2023 meeting, allocation rebalancing was underway to move closer to the long-term allocation target of 50% Growth, 35% Income/Diversifiers, and 15% Protection. Currently, the Fund was broadly in line with the interim target allocations for growth assets, overweight to income assets and underweight to protection assets.

Concerning manager performance, the majority of assets performed well, with the standout performer being the LGIM Global Equity fund, returning 4.9% over the quarter and matching the benchmark. Global equities fared better than UK equities due to the UK's higher weighting to cyclical sectors such as financials, industrials, energy and basic materials, which underperformed over the period. Capital Dynamics' private equity mandate was the most significant underperformer over the quarter, returning -4.8% against a benchmark of 5.2%. However, the Committee were informed that private equity valuations tended to lag those of listed markets. Similarly, although mostly concerned with their longer-term performance, infrastructure funds had underperformed relative to their benchmarks, but once again these valuations also tended to lag the market. Despite the economic volatility of the last 12 months, due to the diversification of the Fund's assets the total return for the Fund was only down 2.6%.

In focussing on each mandate's contribution to the Fund's absolute performance over the quarter according to their allocation, the largest contributor to performance over the period was LGIM's Global Equity fund, given its positive performance and its sizeable allocation of circa 44%. In spite of the large negative returns posted by the Capital Dynamics Infrastructure and Fidelity UK Real Estate funds, these mandates had allocations of circa 2% and circa 1% respectively of the total Fund, hence did not detract materially from the Fund's overall performance. Furthermore, the LCIV Ruffer Multi-Asset fund's underperformance was offset by the LCIV Ballie Gifford Multi-Asset fund, due to their contrasting investment approaches.

Regarding the individual fund manager ratings, the Committee were advised that there were no concerns with the majority of managers. Nevertheless, the LCIV Baillie Gifford Multi Asset fund was downgraded from ‘preferred’ to ‘positive’. It was noted that the key reasons for the decision revolved around assessments relating to macro resources, risk management, and concerns of style drift. However, James Glasgow expressed confidence in their ability to meet long-term performance objectives and reassured the Committee that members would be kept updated. Furthermore, despite their underperformance, the manager ratings for the Capital Dynamics Infrastructure and LCIV Infrastructure funds remained ‘green’.

In turning their attention to the performance of individual fund managers, the Committee noted the following:

- The LGIM Global Equity mandate returned 4.9% over the quarter. Performance in global equity markets also remained strong over a longer period, returning 16.9% over the last 3 years. It was explained that lower energy prices, the reopening of China and improved business sentiment outweighed concerns of sustained elevated core inflation and interest rates.

- The LGIM UK Equity mandate returned 3.1% over the quarter. Performance over 12 months and 3 years was also strong, albeit the UK market continued to lag its global counterparts as a result of the higher weightings within the UK market to financials, industrials and materials.

- The JP Morgan Emerging Markets fund returned 2.8% over Q1, against its benchmark of 1.1%. Over 12 months the fund had returned -1.2%, outperforming the benchmark by 3.9%, and over 3 years the fund had outperformed its benchmark by 2.7%, returning 10.8%. The Committee noted that emerging market equities lagged developed markets over the period.

- Over the quarter, the BlackRock World Low Carbon fund returned 3.2%, underperforming its global equity market benchmark by 1.6%. Over the past 12 months, the fund’s performance also lagged the benchmark by 3.2%.

- The Capital Dynamics Private Equity fund, based on information provided by Northern Trust, returned -4.8% over the quarter, underperforming its benchmark by 9.5%. Similarly, performance over 3 years was 9% below the benchmark. Considering the fund’s underperformance, the Committee were advised that the average lifespan of private equity was 7-10 years, meaning that these investments were into their extensions. Over their lifespan the investments had performed well, and data focussing on performance since inception would be brought to the Committee to display this. However, the Committee noted that, at the current valuation, it was not worth selling. Thus, the Fund would retain this investment for the foreseeable future which would negatively impact performance. Nevertheless, the weighting of the Capital Dynamics Private Equity fund was small, meaning that the impact on the fund was minimal, accounting for an absolute return of -0.1% over the last quarter.

- The LCIV Baillie Gifford Multi Asset fund outperformed its target of 1.5%, returning 2.2% net of fees over the quarter. However, Performance over the past 12 months lagged its benchmark by 12.3%. The Committee were informed that both Hymans Robertson and London CIV were proactively monitoring this holding. The London CIV had placed the fund on ‘enhanced monitoring’, which constituted the middle monitoring level at London CIV. In addition, a review of Baillie Gifford was currently underway with the conclusions expected shortly.

- The Ruffer Multi-Asset fund returned -1.1% over the quarter, underperforming the benchmark by 2.5%. The negative performance was due to the underperformance of strategies in the fund used to protect against downside risk. However, longer term performance remained strong, largely driven by positive performance of equities despite its relatively small allocation.

- The Alinda Infrastructure and London CIV Infrastructure funds both performed positively, posting double digit returns over the last 12 months and outperforming benchmarks. The Capital Dynamics Infrastructure fund differed, with performance lower than expected. The Committee heard that performance was primarily driven by challenges experienced by one project in particular which represented a material proportion of the fund, which had been previously acknowledged by the fund manager. Despite the underperformance, the fund was mature with a marginal weighting in relation to the overall fund resulting in minimal impact.

- The London CIV Private Debt Fund was in the ‘ramp-up’ phase, as demonstrated in the capital committed vs the total contributed. Thus, it was felt too early to assess performance on a purely percentage basis.

- Over the quarter, the London CIV Multi Asset Credit (MAC) fund returned 2.1%, outperforming its benchmark by 0.6%. At the start of the quarter, the fund performed well as gilt yields fell and prices subsequently rose. Over the past 12 months the fund remained behind benchmark; however, over 3 years the fund was 2.8% ahead of its benchmark return. The underperformance over the previous year was largely attributed to the ‘mini budget’ but it was hoped that over time the asset would become less volatile as would be normally expected.

- The BlackRock UK Gilts mandate was passively managed and aimed to match the FTSE UK Gilts Over 15 Years index. The manager sought to track market returns from fixed interest gilts and the manager had delivered against this objective. As such, the returns achieved were driven by market movements rather than the manager. With the relevant contextual information explained, the performance of the fund was detailed, returning 2.8% as gilt yields fell over the quarter, resulting in a slight increase in the value of the portfolio.

In light of the Fund’s evolving Responsible Investment agenda, the Committee discussed the carbon intensity of the Fund, in which it was demonstrated that overall carbon output was lower than the target and below benchmark by 0.9%. The largest carbon emitter, responsible for 43% of the Fund's carbon output, was the LGIM Global Equity fund however, the fund made up 55% of the Fund's overall assets and thus produced less carbon comparative to its size. Conversely, the London CIV Ruffer Multi Asset fund had the largest discrepancy when comparing carbon output to asset size, contributing 25% of the Fund's carbon emissions despite making up only 11% of the Fund's assets.

In concluding the monitoring performance update, the Committee were advised of the market background, with particular attention placed on the impact of inflation on the markets. The Committee noted that year-on-year headline CPI inflation in the US and Eurozone fell to 6.0%, and 8.5%, respectively, as the UK measure rose to 10.4%. The equivalent core measures fell to 5.5% in the US as the UK and Eurozone measures rose to 6.2% and 5.6% respectively. Furthermore, UK 10-year implied inflation was 3.8% p.a., 0.2% above end-December levels.

Following the presentation of the report, the Chair invited members to raise any questions or comments, with queries and responses summarised below:

- Regarding the investment in BlackRock's UK Over 15 years Gilts, the Committee noted that the holding was passive, tracking market conditions exactly. The returns, albeit negative, were in line with the market, with BlackRock not stylistically contributing to the negative performance. The relative underperformance of the fund was due to the volatility of the market and yields increasing, subsequently decreasing prices. However, the Committee were advised that the holding acted as a good diversifier as it was as a hedge against inflation exposure.

- In response to a concern in relation to the viability of real estate due to government legislation on green energy and increased voids, the approach taken towards managing the property portfolio by the active fund managers was outlined. Concerning green energy's impact on real estate, the Committee heard that this fell under Responsible Investment, which was continually monitored by Hymans to future proof investments and maintain Responsible Investment objectives.

- In requesting further information on the underperformance of the Capital Dynamics Private Equity fund, the Committee noted that it was a mature fund, and it was possible that it was in the 'run off' phase.

- Concerning the impact that the Russian invasion of Ukraine had on the UK's supply of energy and economy, it was illustrated that UK-Russia relations did have an impact on inflation, however, the supply chain was experiencing difficulties prior to the conflict which culminated in a 'domino effect' originating from covid until present day.

- In responding to a query on whether the UK economy would improve if the Government announced further investment into green energy to mitigate against the energy crisis, the Committee were advised that the economy largely relied on market sentiment and confidence. It was noted that US performance was largely driven by the tech industry, which the Committee acknowledged presented different environmental, social and governance (ESG) challenges. The Committee were informed that training on a passive ESG fund was in train, and it was explained that the market would likely lean more towards ESG investments as 2050 neared, due to the need to meet climate goals set out in multiple international agreements.

Members welcomed the report and, with no further issues raised, thanked Hymans Robertson LLP for their presentation. Consequently, the Committee **RESOLVED** to note the report.

7. **Investment Strategy Update**

Sawan Shah (Head of Pensions, Brent Council) introduced a report that updated the Committee on the steps taken to transition to the investment strategy agreed at the 20 February 2023 meeting. The Committee were informed that the long-term target allocation was expected to provide increased returns at a lower risk level compared to the current strategy. However, it was explained that transitioning to the targets agreed in February would be fluid in practice and depended on numerous factors including market conditions, availability of suitable investment options and the attractiveness of investment opportunities in the relevant asset classes.

The Committee noted that the Fund was currently circa 9% overweight in equities relative to the long-term target allocation (actual circa 59% vs target 50%), although 2% of this overweight position would naturally be corrected as the private equity mandate wound down over the next few years. Moreover, the February 2023 investment strategy review recommended that the remaining circa 6.5% was sold from the LGIM global equity mandate and re-invested in the existing multi-asset credit and gilts holdings to increase these towards their target allocations. Approximately 1.2% of this would be reinvested in the existing London CIV MAC Fund, and approximately 5.3% would be reinvested in gilts through the existing BlackRock passive mandate. The Committee noted that investing in bonds was more attractive now than it had been for many years, due to increased bond yields arising from increased interest rates.

Following the conclusion of the update, the Chair welcomed questions from the Committee. Questions and responses are summarised below:

- In questioning the 0% long term target for cash allocation, the Committee were informed that cash was often a detriment to performance, particularly in the current climate as it was depreciating in value due to inflation. However, whilst the Fund wanted to hold as little cash as possible to maximise returns, cash would always be held as payments would need to be made to members.

- Regarding the impact of interest rates and inflation on the Fund, the Committee were advised that higher inflation increased the liability of future cash flows as payments increased. However, this was offset by protection assets. When interest and inflation were lower, lower risk assets yielded less, meaning that the Fund would be required to seek returns elsewhere.

As no further issues were raised, the Committee welcomed the update provided and **RESOLVED** to:

(1) Note the report.

(2) Agree to rebalance the equities portfolio by reducing the allocation to global equities and re-investing the proceeds into Multi-asset credit and Gilts moving towards the target allocation of 5% and 10% respectively as agreed during the investment strategy review in February 2023, in line with Brent's long term asset allocation strategy.

8. **Draft Pension Fund Year End Accounts 2022/23**

Sawan Shah (Head of Pensions, Brent Council) presented the report, which summarised all transactions made by the Fund and the value of assets during 2022/23. The Committee were informed that during 2022/23, the value of the Pension Fund's investments decreased to £1,116m from £1,128m. This was largely due to the poor performance of pooled funds holdings (unit trusts, diversified growth funds) over the 12 month period. Despite the poor performance over the previous 12 months, over the last 3 years the Fund had posted positive returns.

In discussing contributions, benefits and cash flow, it was detailed that total contributions received from employers and employees was £68m, an increase on the previous year in which £64m was contributed. Total benefits paid had also increased compared to the previous year, with £48m paid in comparison to £47m in 2021/22. Overall, the Fund was in a positive cash-flow position because its contributions exceeded its outgoings to members.

The Committee noted that, as the Brent Pension Fund was administered by Brent Council and the Fund's accounts formed part of the Council's financial statements, formal approval of the Pension Fund accounts rested with the Council's Audit and Standards Committee. The accounts presented to the Committee would be formally published with the Council's accounts, which was expected to be by 30 June 2023. Furthermore, the Committee were informed that the Council had not received a final external audit plan for the 2022/23 accounts, which was expected to be received in July. Although a final audit plan had not been received, the Council had been advised that the Pension Fund accounts would be subject to a hot review, with the purpose of identifying any key issues which needed to be addressed before final completion.

In considering the report and update provided, the following discussion took place:

- In response to a query regarding the hot review, the Committee were advised that hot reviews were a cyclical process for the Council's external auditors, Grant Thornton, and thus the area of the Council's finances being reviewed changed every year. The hot review involved a detailed review of the accounts and audit working papers by a specialist team, with the results reported to the Audit and Standards Committee which would also be shared with the Pension Fund Sub-Committee.

- In providing further context on the reporting methods for the Fund's accounts, the Committee were informed that profits were displayed in brackets and in red, which was the opposite to the usual method of displaying values. Thus, the value (89.2) for the net return on investments for 2021/22 meant the Fund made a profit of £89.2m during that year. However, the value of £27.6m for the year 2022/23 showcased a loss of £27.6m.

- Regarding the delay in receiving the external audit plan, the Committee heard that the Council had requested a meeting with Grant Thornton to rectify this, with a meeting with the Lead Audit Planner scheduled. Once the plan had been received, it was stated that it would be shared with the Pension Fund Sub-Committee.

With no further questions, the Chair thanked officers for the update and the Committee **RESOLVED** to note the report.

9. **Local Authority Pension Fund Forum Engagement Update**

George Patsalides (Finance Analyst, Brent Council) presented a report that updated the Committee on engagement activity undertaken by the Local Authority Pension Fund Forum (LAPFF) on behalf of the Fund during Q1 2023. It was explained that the commitment with LAPFF demonstrated the Fund's commitment to Responsible Investment (RI) and recognition that engagement was a way to achieve RI objectives.

In summarising LAPFF's engagement activity, the Committee noted the following:

- LAPFF sent a joint letter to the FTSE All-Share ahead of the 2022 AGM season, requesting that boards provided the opportunity for shareholders to support their greenhouse emission reduction strategies with an appropriate resolution on AGM agendas. This included a 'Say on Climate' vote, an initiative for firms to establish robust net zero transition plans with shareholder feedback. In response to the letter, most firms expressed their intention to not hold a Say on Climate vote, outlining their existing climate plans and shareholder engagement, however, other firms stated their intention to hold a vote every three years to approve their triennial climate plan.

- LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The Valuing Water Finance Initiative (VWFI) had identified McDonald's as a company with significant exposure to water-related risks, prompting a water risk assessment which the company had undertaken in 2020. To date, McDonald's had failed to disclose the results of their investigation. LAPFF had since pushed McDonald's to disclose their findings, with the aim of providing key stakeholders with a better understanding of material risks facing the company.

- Chair of Nestlé, Paul Bulcke, hosted a roundtable with investors in March, providing a high-level overview of the company's financial and ESG strategies. LAPFF would continue to monitor Nestlé's progress in these areas and would continue to support ShareAction's Healthy Markets engagement as it progressed.

- Amazon had faced criticism in the press for not upholding adequate standards on freedom of association, which holds the right of everyone to form and to join trade unions for the protection of their mutual interests. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, to request that Amazon took steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.

- As road transportation was a major contributor to global emissions and faced tightening regulations on emissions standards, investors sought to ensure that car companies were managing these risks effectively by setting targets and taking action to shift production to electric vehicles. Consequently, LAPFF participated in a CA100+ meeting with General Motors (GM) which addressed the impact of the US Inflation Reduction Act and how GM would reach its targets in line with public policy which included having capacity in excess of one million electric vehicle units in both North America and China by 2025.

Following the update, the Chair invited members to raise any questions or concerns, with contributions and replies summarised below:

- In highlighting concern at the lack of positive actions and responses from organisations, the Committee were reminded of the difficulties in seeking to engage with such large companies given the relatively small share of the overall value of the companies highlighted held by the Local Government Pension Scheme. Given these challenges the response and acknowledgement achieved through the LAPFF was felt to represent an achievement with the need to retain confidentiality in how the engagement with businesses was undertaken also needing to be respected.

- Whilst recognising the achievements accomplished to date, the Committee raised concerns regarding the effectiveness of LAPFF due to the omission of engagement with several large companies and the length of time that organisations took to reply. In response, the Committee were informed that, as shareholders, the Fund could only propose resolutions at LAPFF AGM's, with members suggesting the potential of attending AGM's in order to do so. It was also detailed that the Fund maintained regular contact with London CIV regarding any concerns with how LAPFF voted at AGM's. In addition, the Committee noted that members were welcome to attend LAPFF business updates throughout the year and, if deemed necessary, the Committee could also invite LAPFF to a future meeting to question them on their activity.

With no further comments and in welcoming the update, the Committee **RESOLVED** to note the report.

10. **Minutes of the Pension Board**

The Sub-Committee welcomed Mr David Ewart (Independent Chair - Pension Board) to the meeting to give an overview of the Pension Board's last meeting. Members were updated that the role of the Pension Board was to assist the Sub Committee in the efficient management of the Fund and in monitoring administration service quality for scheme members. The Board's membership comprised of representation from both Scheme Members and Employers in addition to Brent Council.

Regarding the March meeting, Mr Ewart explained that the majority of the meeting concerned the Pensions Administration Update, in which the Board considered the Pension Administration Performance Report. It was noted that the Local Pensions Partnership (LPP) had migrated to a new pensions administration system called Universal Pension Management (UPM), which had negatively impacted performance. However, mitigations were in place and performance was expected to improve in the future. Mr Ewart reassured the Committee that the matter would be revisited at the next Pension Board meeting. In addition to reviewing the performance of LPP, the Board received an update on recent developments in the Local Government Pension Scheme and reviewed the Risk Register.

The Chair thanked Mr Ewart for the update provided and with no further issues raised, it was **RESOLVED** to note the minutes from the Pension Board held on 22 March 2023.

11. **Dates of Future Meetings**

The Committee noted the dates of the Brent Pension Fund Sub-Committee meetings for the 2023/24 municipal year as follows:

- Wednesday 4 October 2023

- Wednesday 21 February 2024

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

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

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

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

13. **London CIV Update**

Sawan Shah (Head of Pensions, Brent Council) introduced the report, which updated the Committee on recent developments regarding Brent Pension Fund investments held within the London CIV. Two updates in particular were highlighted to the Committee. The first concerned fee savings and the second concerned the UK Housing Fund, which the Committee had considered at the February 2023 meeting.

As no further concerns were raised, the Committee **RESOLVED** to note the report.

14. **Any Other Urgent Business**

None.

The meeting closed at 7:19pm

COUNCILLOR R JOHNSON
Chair

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London Borough of Brent Pension Fund

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Q2 2023 Investment Monitoring Report

Kenneth Taylor, Senior Investment Consultant
James Glasgow, Investment Consultant
Ahmed Elsaddig, Investment Analyst

Agenda Item 6

HYMANS ROBERTSON

Executive Summary

Performance Summary
The assets combined to return 0.5% over the quarter to 30 June 2023.

Global equities rose 4.2% in sterling terms over the second quarter, buoyed by better-than-expected earnings and AI inspired optimism around the technology sector. UK equities ended marginally negative (-0.5%) as commodity price declines and global manufacturing weakness weighed on the energy and basic materials sectors.

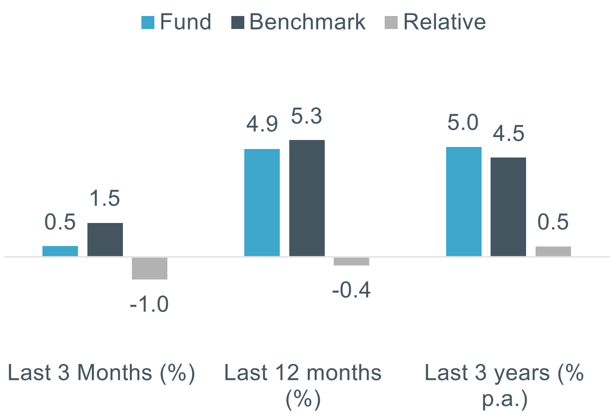
UK gilt yields surged as disappointing inflation data was compounded by heavy issuance and BoE gilt sales. UK investment grade credit, also recorded negative total returns as the rise in underlying gilt yields more than offset a fall in credit spreads.

In response to a run of higher-than-expected inflation, the Bank of England raised rates by 0.75% p.a. in Q2 to 5.0%, including a surprise 0.5% p.a. increase in June.

Key points to note

- The Fund has posted a positive return over the quarter, ending the period with a valuation of £1,125.7m up from £1,116.4m at the end of Q1 2023.
- The Fund's passive global equity exposure was the main driver of positive return on an absolute basis, while the income and protection assets, on aggregate, detracted from the total Fund return.
- On a relative basis the Fund trailed its benchmark by 1.0% with the income component proving to be the largest detractor as the LCIV multi-asset funds and private debt allocations trailed their respective benchmarks.
- The cash held by the Fund increased over the period to £29.4m.

Fund performance vs benchmark/target



High Level Asset Allocation

	Actual	Benchmark	Relative
Growth	59.6%	58.0%	1.6%
Income	29.6%	25.0%	4.6%
Protection	8.2%	15.0%	-6.8%
Cash	2.6%	2.0%	0.6%

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

Following the results of the 2023 investment strategy review, the following target allocations were agreed:

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

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

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

The LCIV infrastructure and private debt funds remain in their ramp up phase. We expect the Fund's commitments to continue to be drawn down over 2023.

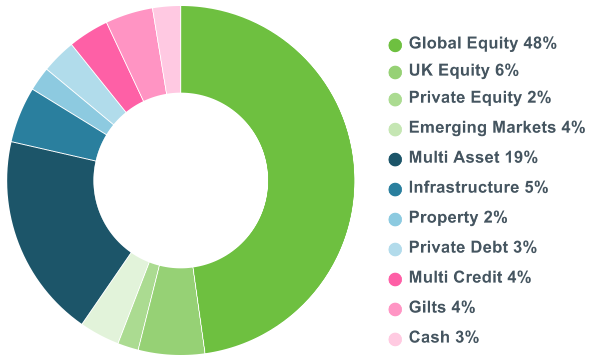
2023 investment strategy review
The 2023 investment strategy review supported the 50% long-term allocation to Growth assets. The Fund is overweight to this long-term target and the review recommended rebalancing into Protection assets (among other recommendations). Changes to the benchmark allocations will be reflected in future reports.

Asset allocation

Manager	Valuation (£m) Q1 2023	Valuation (£m) Q2 2023	Actual Proportion	Benchmark	Relative
LGIM Global Equity	488.2	508.3	45.2%	40.0%	5.2%
LGIM UK Equity	69.8	69.5	6.2%	5.0%	1.2%
Capital Dynamics Private Equity	24.4	21.8	1.9%	5.0%	-3.1%
LCIV JP Morgan Emerging Markets	43.3	42.2	3.7%	5.0%	-1.3%
Blackrock Acs World Low Crbn	28.1	29.4	2.6%	3.0%	-0.4%
Total Growth	**653.9**	**671.2**	**59.6%**	**58.0%**	**1.6%**
LCIV Baillie Gifford Multi Asset	123.7	121.1	10.8%	6.0%	4.8%
LCIV Ruffer Multi Asset	98.6	92.1	8.2%	6.0%	2.2%
Alinda Infrastructure	17.2	16.9	1.5%	0.0%	1.5%
Capital Dynamics Infrastructure	2.6	2.3	0.2%	0.0%	0.2%
LCIV Infrastructure	36.8	39.1	3.5%	5.0%	-1.5%
Fidelity UK Real Estate	13.7	13.8	1.2%	1.5%	-0.3%
UBS Triton Property Fund	11.4	11.4	1.0%	1.5%	-0.5%
LCIV Private Debt Fund	34.8	36.0	3.2%	5.0%	-1.8%
Total Income	**338.8**	**332.7**	**29.6%**	**25.0%**	**4.6%**
LCIV CQS MAC	41.9	42.7	3.8%	5.0%	-1.2%
BlackRock UK Gilts Over 15 yrs	54.2	49.7	4.4%	10.0%	-5.6%
Total Protection	**96.1**	**92.4**	**8.2%**	**15.0%**	**-6.8%**
Cash	27.7	29.4	2.6%	2.0%	0.6%
Total Scheme	**1116.4**	**1125.7**	**100.0%**	**100.0%**	

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

Asset class exposures



Source: Investment Managers

Total Fund return was marginally positive during the period on an absolute basis but underperformed on a relative basis. Performance over the past 12 months remains slightly behind benchmark; however, performance over the past 3 years is ahead of target.

Global equities continued to provide positive returns, registering double digit performance over the last 12 months.

Capital Dynamics' private equity mandate ended the period in negative territory. However, it is worth noting that the allocation is in run down and represents a small allocation within the Fund.

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Yield volatility over Q2, saw the UK gilts allocation end the period in negative territory. This also attributed to the performance of the LCIV Multi-Asset funds held as part of the income component as the fall in spreads was offset by rising UK gilt yields.

The property market saw some respite from the recent fall in valuations registering a small positive return as capital values stabilised. The Fidelity real estate fund outperformed its benchmark by +0.7%.

Manager performance

	Last 3 Months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	4.1	4.2	**-0.0**	13.7	13.8	**-0.1**	11.3	11.4	**-0.1**
LGIM UK Equity	-0.4	-0.5	**0.0**	8.0	7.9	**0.1**	10.1	10.0	**0.1**
Capital Dynamics Private Equity	-6.5	4.3	**-10.4**	-14.0	14.9	**-25.2**	3.5	12.7	**-8.1**
LCIV JP Morgan Emerging Markets	-2.6	-1.9	**-0.8**	3.7	-2.8	**6.7**	3.0	1.3	**1.6**
Blackrock Acs World Low Crbn	4.8	3.9	**0.9**	12.9	13.2	**-0.3**	-	-	**-**
Income									
LCIV Baillie Gifford Multi Asset	-2.1	1.6	**-3.7**	-1.8	5.3	**-6.7**	0.3	3.3	**-2.9**
LCIV Ruffer Multi Asset	-6.6	1.6	**-8.1**	-1.2	5.3	**-6.2**	4.8	3.3	**1.5**
Alinda Infrastructure	-	-	**-**	10.7	9.9	**0.7**	11.7	8.6	**2.8**
Capital Dynamics Infrastructure	-	-	**-**	-9.4	9.9	**-17.6**	-14.7	8.6	**-21.4**
LCIV Infrastructure	-	-	**-**	7.6	9.9	**-2.2**	4.7	8.6	**-3.6**
Fidelity UK Real Estate	1.0	0.4	**0.7**	-17.1	-17.4	**0.4**	-	-	**-**
UBS Triton Property Fund	0.2	0.4	**-0.2**	-	-	**-**	-	-	**-**
LCIV Private Debt Fund	-1.2	1.5	**-2.6**	11.6	6.0	**5.3**	-	-	**-**
Protection									
LCIV CQS MAC	1.9	1.6	**0.3**	5.7	5.2	**0.5**	2.3	3.2	**-0.9**
BlackRock UK Gilts Over 15 yrs	-8.3	-8.3	**0.0**	-24.9	-24.9	**0.0**	-19.7	-19.8	**0.1**
Total	0.5	1.5	**-1.0**	4.9	5.3	**-0.4**	5.0	4.5	**0.5**

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, we focus on longer term performance. There are also alternative measures to assess performance detailed in the individual manager pages. This is also the case for Private Equity and Private Debt (see below) as asset classes.

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

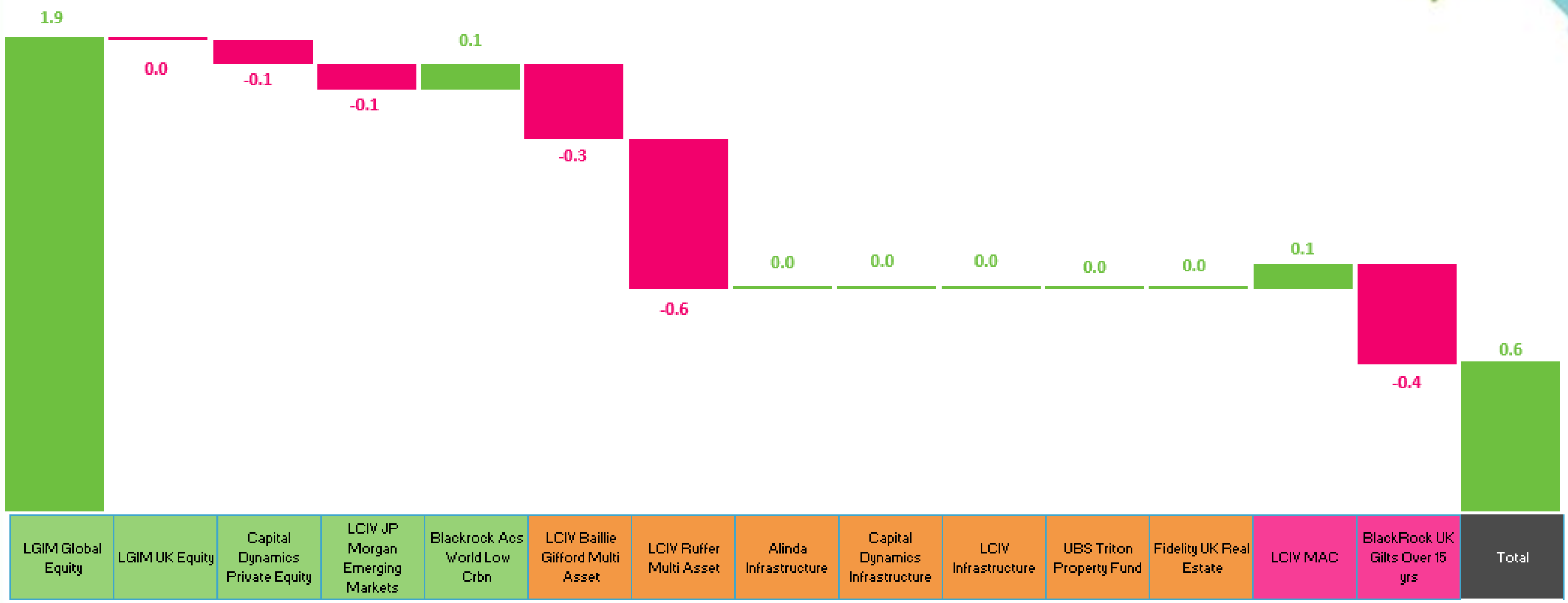
This chart highlights each mandate's contribution to the Fund's absolute performance over the quarter according to their allocation.

The largest contributor to performance over the period was LGIM's Global Equity fund, given its positive performance and its sizeable allocation of c.45%.

This positive performance was offset by the underperformance of both the LCIV Ruffer multi-asset fund and the LCIV Ballie Gifford multi-asset fund, despite their contrasting investment approaches.

Despite negative returns posted by the Capital Dynamics Infrastructure and LCIV JP Morgan Emerging Market Equities fund, these mandates have allocations of c2% and c4% respectively, of the total Fund, hence did not detract materially from the Fund's overall performance.

Fund performance by manager



Please note that due to rounding, the total performance shown above may not add to the total quarterly performance shown on page 3 of this report.

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

Manager Ratings

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

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

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

RAG status reflects the long-term performance of each mandate. Manager developments reflect any key changes over the quarter and how this may affect the mandate.

RAG Status Key (assessment of longer-term relative performance):

- Red: Significant underperformance
- Amber: Moderate underperformance
- Green: Performance in line / above benchmark

The pages that follow cover in further detail managers who have an amber/red performance rating.

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	-	
LCIV Baillie Gifford	Multi Asset	Positive	Good		
LCIV Ruffer	Multi Asset	Positive	Adequate		
Alinda	Infrastructure	Not Rated	Not Rated		
Capital Dynamics	Infrastructure	Not Rated	Not Rated		
LCIV	Infrastructure	Not Rated	Not Rated		
LCIV	Private Debt	Not Rated	Not Rated	-	
Fidelity	UK Real Estate	Preferred	Good	-	
UBS	UK Property	Preferred	Good	-	
LCIV	Multi Credit	Suitable	Not Rated		
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated		

Fidelity business update

William Stoll, the Co-Portfolio Manager for the Fidelity UK Real Estate Fund, has taken enhanced parental leave from May 2023 to November 2023 (6 months). Alison Puhar, who is the lead PM for the UK fund will continue to manage the portfolio in William's absence.

Sam Denning, Real Estate Manager based in Canon Street will cover William's asset management and investment work during his leave. Sam has over 17 years of experience, having worked at ING Real Estate Investment Management and then CBRE Investment Management, where he served a Director with responsibility for several discretionary pension fund property portfolios.

Based on Q2 meeting with the Fidelity UK Real Estate team, the volume of reduction is small, and the team is continuing its sale process and will be able to pay-out redemption requests on a pro-rata basis.

UBS business update

At the company level, UBS announced the proposed acquisition of Credit Suisse on 19 March 2023. All investors and their consultants were sent a signed letter from UBS with additional details. We note Nasreen Kasenally, became Asset Management Chief Operating Officer (COO) and Country Head AM UK in May 2023, replacing Michelle Bureaux. Also, in Q2, Daniele Brupbacher has been appointed as Chief Strategy Officer for the Group's divisional strategy team..

BlackRock business update

Lance Braunstein appointed to the GEC as Head of Aladdin Engineering. No other changes reported in Q2 2023.

Source: Investment Managers

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

- LCIV Baillie Gifford
- LCIV Ruffer

Manager commentary

- The LCIV Baillie Gifford and LCIV Ruffer funds are multi-asset funds, meaning the managers invest in multiple asset classes, including equities and bonds, and diversifying assets such as property and infrastructure.
- As shown on page 4 of this report, performance from both funds is behind benchmark over the quarter and also over 12 months. Baillie Gifford's performance is also behind benchmark over 3 years. Ruffer's performance is ahead of benchmark when assessed over a 3 year period.
- We would note that the benchmark return for each fund (the return on cash+3% p.a.) has increased recently due to the increase in the Bank of England Base Rate.
- The table below shows how the performance of these funds compares with the median return from around 50 multi-asset funds over periods ending on 30 June 2023 (source: eVestment).

	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
LCIV Baillie Gifford	-2.1	-1.8	0.3	0.2
LCIV Ruffer	-6.6	-1.3	4.8	4.3
Median return	-0.5	2.0	3.6	2.8

- Both funds have reduced their exposure to equities and increased their exposure to bonds. This reflects a relatively cautious view of future economic growth (leading to reductions in equity exposure) and the relatively more attractive yields available on bonds currently. This re-positioning of the portfolios has not been rewarded in terms of performance to date.
- From a strategic perspective, we expect that the Funds allocations within these funds to reduce over time, with assets being redirected into other specialist funds focussing on specific asset classes such as infrastructure and private debt.

Source: Investment Managers

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

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

The information covered here captures the c80% of the Fund's assets as at 30 June 2023. It excludes investments in property, private equity, infrastructure and private debt on account of the current lack of data in these areas. Please note that fossil fuel metrics for the LGIM funds are as at 31 March 2023.

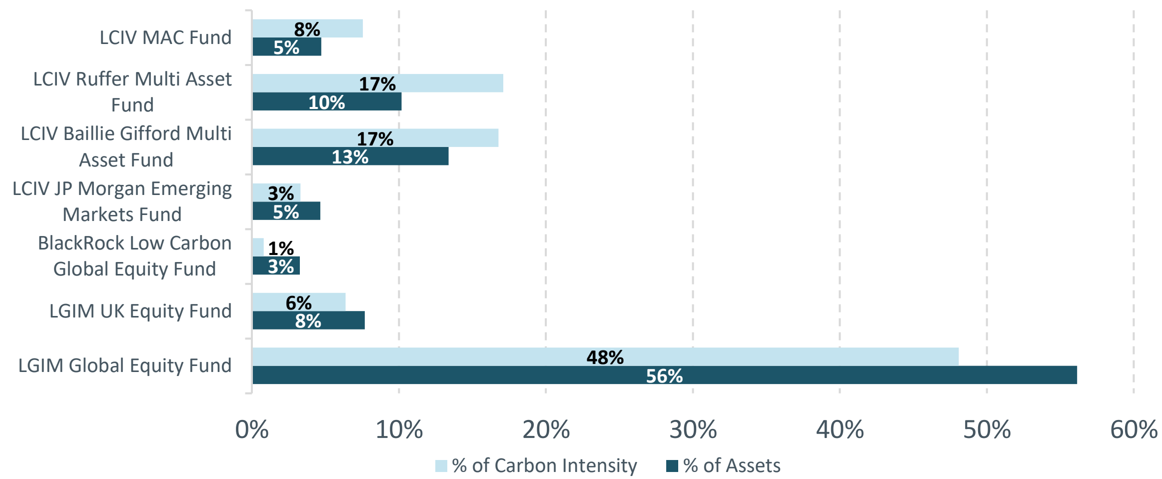
Despite only representing c.10% of assets shown here, the LCIV Ruffer multi-asset fund is responsible for c.17% of the total carbon intensity. However, this is an improvement from previous quarters.

Climate risk overview

	Weighted Average Carbon Intensity (tCO2/$m Sales)	Fossil Fuel exposure (any activity) (%)
Fund	**190.5**	**5.2%**
*Composite benchmark**	**250.2**	**8.2%**
Relative to benchmark	**-59.7**	**-3.0%**

*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
Please note: WACI figure used for the BlackRock ACS World Low Carbon Fund are as at 31 August 2023.

Consensus forecasts for 2023 global GDP growth saw further upwards revisions in Q2, given unexpected resilience in labour markets and consumer spending. Nonetheless, with higher interest rates likely to weigh on consumer and business activity in the second half of 2023 and into 2024, growth forecasts remain relatively weak.

UK inflation data released during Q2 came in higher than forecasters expected. However, June's UK headline CPI inflation figure, released in July, fell more than expected, to 7.9% year-on-year and core inflation slipped back to 6.9% from 7.1%. Equivalent CPI inflation in the US and Eurozone fell to 3.0% and 5.5%, respectively, in June, and core inflation eased to 4.8% in the US, but rose to 5.5% in the Eurozone.

Responding to a run of higher-than-expected inflation, the Bank of England (BoE) raised rates by 0.75% p.a. in Q2, to 5.0% p.a., including a surprise 0.5% p.a. increase in June. The US Federal Reserve raised rates by 0.25% p.a., to 5.25% p.a., in May; pausing in June to evaluate the impact of prior tightening. The European Central Bank increased their deposit rate 3.5% p.a.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, was unchanged at 3.6% p.a., as real and nominal yields rose by similar amounts.

UK gilt yields surged as disappointing inflation data was compounded by heavy issuance and BoE gilt sales. UK 10-year gilt yields rose sharply by 0.8% p.a. to 4.4% p.a., while US yields rose 0.2% p.a. to 3.8% p.a., and equivalent German yields rose 0.1% p.a., to 2.4% p.a.

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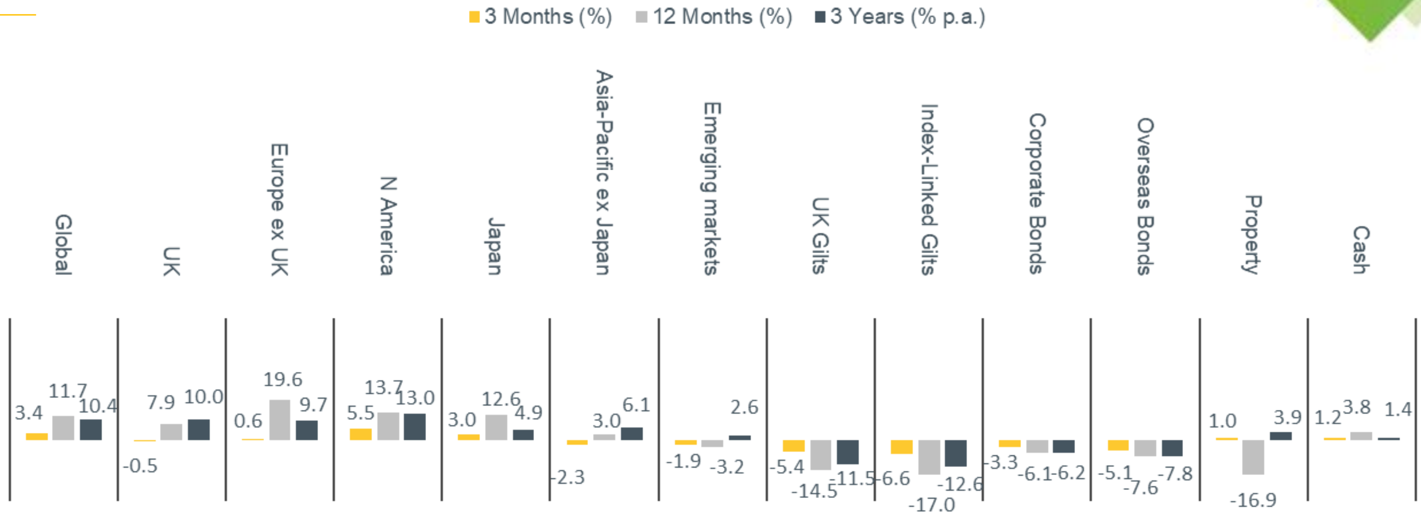
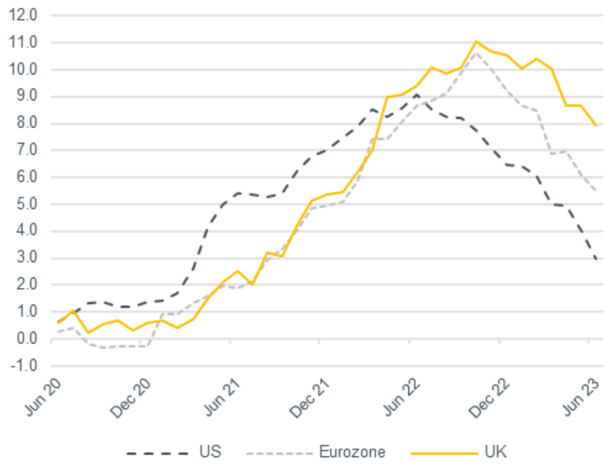
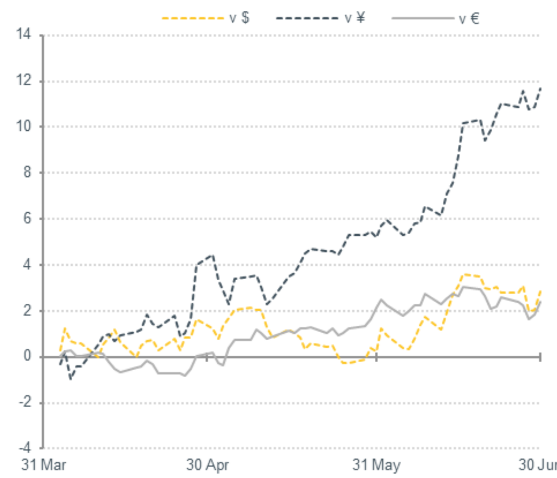
Historic returns for world markets [1]



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

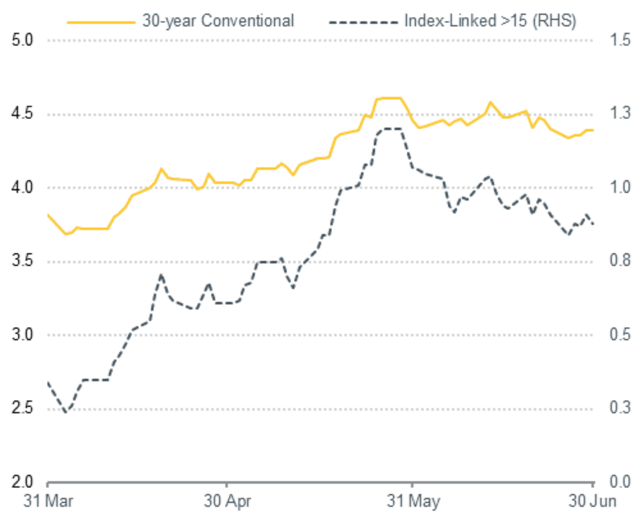
The UK investment-grade credit market recorded negative total returns as the rise in underlying gilt yields more than offset a fall in credit spreads. Global investment-grade credit spreads decreased by 0.1% p.a. to 1.4% p.a., and global speculative-grade credit spreads decreased by 0.5% p.a. to 4.5% p.a.

The FTSE All World Total Return Index rose 6.7%, buoyed by better-than-expected earnings and AI-inspired optimism around the technology sector. Japanese and North American equities outperformed, with the exporter-heavy index of the former benefitting from Yen weakness and the latter benefitting from its disproportionately high exposure to the technology sector. Disappointing Chinese activity data dragged down emerging markets and Asia Pacific ex-Japan. The UK was the worst performing region, as the basic materials and energy sectors underperformed amid commodity price declines and global manufacturing weakness.

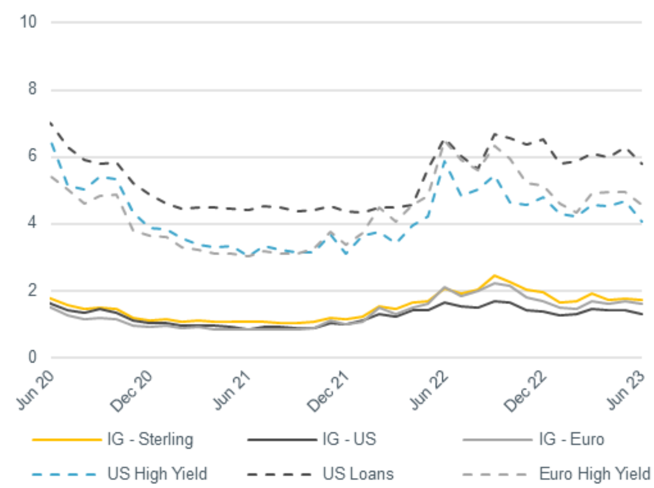
Sterling rose over 4.0% in trade-weighted terms as interest rate expectations soared. Meanwhile, equivalent US and euro measures rose 0.8% and 2.1%, respectively, while the yen measure fell more than 5%. The S&P GSCI Commodity Spot Price Index fell 5.8% in Q2, driven by declines in energy and industrial metal price.

UK commercial property values, as measured by the MSCI UK Property Index, had fallen by over 21% in the 12 months to end-June. Capital values have somewhat stabilised in recent months, though office values continued to decline in June. Alongside income, this led to a modest positive total return from the market over the quarter.

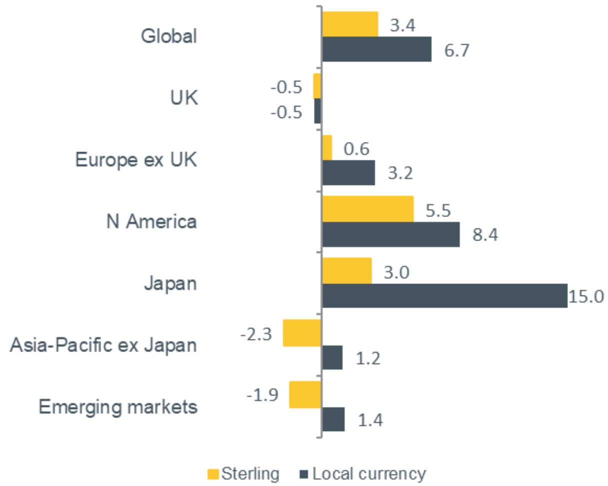
Gilt yields chart (% p.a.)



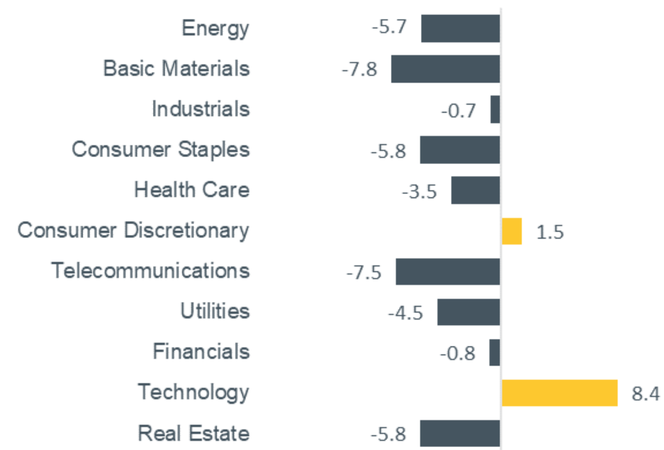
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

Hymans Rating

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

Responsible Investment

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

Risk Warning

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

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

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Geometric v Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance\ - Benchmark\ Performance$$

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

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

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Market Brief

August's highlights

- The UK economy fared better than expected in Q2, expanding modestly and confounding expectations of stagnation. In the US, a downwardly revised second estimate of second-quarter GDP growth still showed an economy growing at a decent annualised quarterly pace of 2.1%.
- Disappointing Chinese economic data, renewed stress in the property sector, and consumer prices entering deflation prompted the People's Bank of China to cut rates in August, while the government launched initiatives to support markets.
- Flash composite PMIs (which reflect the health of the manufacturing sector) fell more than expected in the major advanced economies. In Europe, they fell to levels consistent with contraction, as the services-led recovery faded, and manufacturing activity continued to contract.
- Headline inflation continued to fall in the UK and eurozone in July, in line with expectations, but core inflation was unchanged. Though US headline inflation rose in July, it did so less than expected and core inflation fell.
- Despite recent declines, still-above-target headline and core inflation, alongside very strong wage growth, saw the Bank of England (BoE) raise rates by 0.25% pa in August to 5.25% pa.
- Amid weaker forward-looking economic data and higher sovereign bond yields, global equities fell in August, handing back some of their quarter-to-date gains. Meanwhile, credit spreads widened.
- Sovereign bond yields rose as stubborn underlying inflation pressures raised long-term interest-rate expectations.
- The recent oil-price rally lost steam in August. Growth risks in China offset the impact of production cuts and European gas prices rose sharply on potential strike action at three major Australian liquid natural gas plants.

Market performance to 31 August 2023

UK	Q3 23*	Q2 23	2023	GLOBAL	Q3 23*	Q2 23	2023
EQUITIES	0.1	-0.5	2.7	**EQUITIES**	1.2	6.7	15.5
BONDS				North America	1.7	8.4	28.5
Conventional gilts	0.3	-5.4	-3.2	Europe ex UK	-0.9	2.9	12.5
Index-linked gilts	-1.6	-6.6	-4.2	Japan	1.7	15.0	25.3
Credit	2.1	-3.4	1.0	Dev. Asia ex Japan	0.2	1.2	6.2
PROPERTY**	-0.0	1.0	1.2	Emerging markets	1.2	1.4	5.1
STERLING				**GOVERNMENT BONDS**	-0.1	0.2	3.1
v US dollar	-0.3	2.8	5.3	**High yield**	1.4	1.5	6.1
v Euro	0.2	2.4	3.6	**Gold**	1.4	-3.1	7.0
v Japanese yen	0.4	11.7	16.2	**Oil**	16.6	-6.6	2.3

Percentage returns in local currency ($ for Gold and Oil). *All returns to 31/08/2023, **apart from property (31/07/2023). Source: DataStream and Bloomberg. FTSE Indices shown: All Share, All World, W North America , AW Developed Europe ex-UK, W Japan, AW Developed Asia Pacific ex-Japan, Emerging, Fixed Gilts All Stocks, Index-Linked Gilts All Maturities, iBoxx Non-Gilts, S&P GSCI Light Energy, Crude Oil BFO, ICE BofA Global High Yield, Gold Bullion LBM , MSCI UK Monthly Property and BBG Aggregate Government Total Return.

The quarter so far

The global economy

- Unexpected economic resilience in the first half of 2023 is increasingly being weighed against weaker forward-looking data in Q3, as the lagged impact of monetary tightening weighs on economic activity. At the same time, recent resilience, particularly in labour markets, has added to speculation around how long central banks will have to keep interest rates at restrictive levels in order to reduce underlying inflation pressures.
- Global equity markets have made a modest positive return in the quarter to date, while credit spreads have generally declined, albeit with some regional dispersion. Sovereign bond yields have risen, notably in the US, eurozone and Japan, and less so in the UK, given a higher starting point.
- Backward-looking GDP growth data released in Q3 confirmed that the global economy was resilient in Q2. Despite downwards revisions to the very robust initial estimate of US Q2 GDP growth, the second estimate still showed an economy growing at a decent annualised quarterly pace of 2.1%. The eurozone and UK both registered a modest quarter-on-quarter expansions of 0.3% and 0.2%, respectively, which surpassed expectations. Japanese growth expanded at annualised quarterly pace of 6% in Q2. The strong showing is mostly due to strong net export growth, which has been boosted by prior yen weakness.
- Chinese growth slowed quarter on quarter in Q2, and recent activity has been weaker than expected. Headline CPI turned negative in July, retail sales disappointed, and private investment fell, particularly in the property sector. This led the People's Bank of China to cut rates twice in August and fuelled expectations of further policy stimulus.
- In the eurozone, flash composite PMIs indicate that business activity contracted more rapidly in August, as the region's downturn spread from manufacturing to services. Surveys also suggest UK activity contracted month on month in August, as an increasingly severe manufacturing downturn is accompanied by a now-contracting service sector. The US composite PMI remains just above 50, indicative of a month-on-month expansion in economic activity, but the survey suggests a near stalling of business activity as the service-sector-led accelerated growth in Q2 has faded.
- Headline inflation data released in August for the month of July showed that consumer price inflation slightly fell in the UK and eurozone, in line with expectations, and rose in the US, though less than expected. July's year-on-year headline CPI came in at 3.2%, 6.8%, and 5.3% in the US, UK, and eurozone, respectively. Year-on-year core CPI inflation, which excludes more volatile energy and food prices, was unchanged in the UK and eurozone in July, exceeding expectations in the UK, and continued to fall in the US. The year-on-year core CPI figures for the US, UK and the eurozone are 4.7%, 6.9%, and 5.3% respectively.
- Given above-target headline inflation and 'stickiness' in core measures, the Fed and the European Central Bank both raised rates by 0.25% pa at their July meetings, to 5.5% pa and 3.75% pa, respectively. The BoE followed suit in August, raising the base rate by 0.25 % pa, to 5.25% pa. Markets fully expect another rate rise from the BoE at its September meeting, taking rates to 5.5% pa, and are split almost evenly as to whether rates will peak at 5.75% pa or rise to 6.0% pa over the next six months. US interest rate futures imply the Fed will leave interest rates unchanged at September's meeting, but also continue to price in nearly even odds of one further rate hike by year end. Markets also expect a pause from the ECB in September, but still expect a rate rise, the last in the cycle, later this year.

Fixed income markets

- Amid strong GDP data and heavy issuance, US 10-year treasury yields rose 0.3% pa, to 4.1% pa. Japanese government bond yields rose 0.5% pa, to 0.6% pa, as the Bank of Japan loosened its yield-curve control band of +/-0.5% pa, offering to buy 10-year Japanese government bonds at a yield of up to 1.0% pa. Equivalent UK and German yields saw more muted rises, ending August at 4.4% pa and 2.5% pa, respectively.
- UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, was unchanged at 3.6% pa, as nominal and real yields rose by similar amounts.

- A 0.2% pa fall in sterling investment-grade credit spreads more than offset a very modest rise in gilt yields, resulting in positive total returns in the quarter to date. Global investment grade spreads have fallen 0.1% pa, to 1.3% pa. Highlighting the divergence in recent economic data, US speculative-grade spreads fell 0.2% pa, to 3.9% pa, while European speculative-grade spreads rose over the same period, to 4.5% pa. Though defaults, both realised and forecast, have risen, a subdued pace of new issuance has lent technical support to credit markets.
- Hard currency debt, as measure by the Diversified Emerging Markets External Debt Sovereign Bond Index, has returned 0.2% quarter to date in dollar terms, as income and a modest fall in spreads offset a rise in underlying treasury yields. Local currency debt, as measured by the Diversified Emerging Markets Sovereign Bond Index, has returned -0.2% quarter to date, in dollar terms as yields rose modestly and index currencies, in aggregate, fell against the US dollar.

Global equities

- The FTSE All World Total Return Index trimmed its quarter-to-date gain to 1.2% In August, as concerns around Chinese growth and weak survey data in the major advanced economies weighed on the soft-landing narrative.
- Japanese equities outperformed quarter to date given relatively strong economic data and yen weakness, which also supported the earnings of the export-heavy market. US equities also outperformed on the back of still decent economic growth and ongoing upside earnings surprises. Europe ex-UK and UK markedly underperformed on the back of sharply weaker business surveys and rising European gas prices.
- Emerging markets performed broadly in line with the global benchmark quarter to date. Chinese and Asian markets rose strongly in July as weak Chinese activity data spurred hopes of further economic stimulus, but sentiment reversed in August, despite monetary easing and several government initiatives to support financial markets.
- Energy was the best-performing sector over the quarter to end-August, boosted by rising oil and, to some extent, gas prices. The financial and technology sectors also marginally outperformed. Utilities were the worst-performing sector in over the same period, followed by consumer staples. Industrials, consumer discretionary, telecoms, healthcare, and basic materials also all marginally underperformed in the two months to end-August.

Currencies, commodities, and property

- Despite Chinese growth risks, oil prices rose 16.6% over the quarter to end-August on the back of production cuts. Despite elevated seasonal storage levels, European gas prices rose 23% in August on the back of potential strikes at three liquid natural gas (LNG) plants in Australia responsible for 10% of global LNG supply. Trade-weighted sterling and euro rose modestly, while the equivalent US dollar measure rose 0.7% and the Japanese index fell 1.1%.
- The MSCI UK Monthly Property Capital value index slipped 0.5% in July, largely due to a 2.1% decline in office values. In aggregate, capital values are down 20.8% in the 12 months to end-July, with declines in the retail, office, and industrial sectors of 15.4%, 22.6%, and 25.0%, respectively. Total returns (ie including income) were -16.5% in the 12 months to end-July. Though declines in capital values over 12 months were most pronounced in the industrials, the sector has now recorded five consecutive months of growth, while capital values in the office sector continued to decline, and retail values are largely flat over the past few months.

For and on behalf of Hymans Robertson LLP

Additional Notes

Risk Warnings

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

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

Brent	**Pension Fund Sub-Committee** 04 October 2023
	Report from the Corporate Director Finance and Resources

Brent Pension Fund: Annual Report and Accounts 2022/23

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
List of Appendices:	Three: Appendix 1 - Draft Brent Pension Fund Annual Report 2022/23 Appendix 2 - Draft Audit Findings Report 22-23 - Brent Pension Fund Appendix 3 - Brent Investment Strategy Statement 2023
Background Papers:	▪ N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Pensions sawan.shah@brent.gov.uk 020 8937 1955 George Patsalides, Finance Analyst george.patsalides@brent.gov.uk 020 8937 1137

1.0 Executive Summary

1.1 This report provides an update on the Pension Fund Annual Report and Accounts for the year ended 31 March 2023 and the draft Investment Strategy Statement (ISS).

2.0 Recommendation(s)

2.1 The Committee is recommended to:

- Note the draft accounts included as part of the annual report;
- Note the draft Brent Pension Fund Annual Report 2022/23 which will be published as set out in paragraph 4.4.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Statement of Accounts

3.2.1 Included in the Brent Pension Fund Annual Report 2022/23 attached in Appendix 1 are the latest version of the Pension Fund Annual Accounts for the year ended 31 March 2023.

3.2.2 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 26th September.

3.2.3 The draft Brent Pension Fund Audit Findings Report 2022/23, 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.

3.2.4 The Pension Fund has been subjected to a hot file review in 2022/23, which features a detailed review of the accounts and audit working papers by a specialist team before the audit has been fully signed off. The purpose of such a review is to identify any key issues which need to be addressed before final completion. The review was positive for the Fund. It did not result in any substantial changes, only minor presentational changes to the accounts were made.

3.2.5 The responsibility for approving the statement of accounts resides with the Audit and Standards Committee, which noted the Audit Findings Report in the 26th September meeting.

3.2.6 The accounts have been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the

Code) governing the preparation of the 2022/23 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 2023 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2023.

4.0 Background

4.1 The main items to note are as follows:

- During 2022/23, the value of the Pension Fund's investments decreased to £1,116m (2021/22 £1,128m). This is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

- Total contributions received from employers and employees were £68m for the year, an increase on the previous year's £64m.

- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £48m, an increase on the previous year's £47m.

- As in 2022/23, the Council is in a positive cash-flow position because its contributions exceed its outgoings to members.

4.2 Attached in Appendix 3 is an updated draft Investment Strategy Statement (ISS). This in line with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 which requires administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund.

4.3 The committee is invited to comment on the ISS which will be published as part of the Fund's annual report later in the year.

Pension Fund Annual Report

4.4 The draft Pension Fund annual report has been sent to Grant Thornton for review. 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.

4.5 The Pension Fund annual report also includes the:

- Pensions Administration Strategy;
- Funding Strategy Statement; and
- Communications Policy Statement

which have been approved by the Committee at previous meetings.

5.0 Stakeholder and ward member consultation and engagement

5.1 Not applicable.

6.0 Financial Considerations

6.1 Not applicable.

7.0 Legal Considerations

7.1 Not applicable.

8.0 Equality, Diversity & Inclusion (EDI) Considerations

8.1 Not applicable.

9.0 Climate Change and Environmental Considerations

9.1 Not applicable.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 Not applicable.

11.0 Communication Considerations

11.1 Not applicable.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

Brent Pension Fund

Annual Report and Accounts 2022/23

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 2022/23.

The Fund has 6,061 contributors, 7,160 pensioners and 8,544 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 2022/23, the value of the Pension Fund's investments decreased to £1,116m (2021/22 £1,128m). This is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

Total contributions received from employers and employees was £68m for the year, an increase on the previous year's £64m. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £48m, an increase on the previous year's £47m. As in 2021/22, 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 2022. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. During 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35% of pensionable pay. This is consistent with the Fund's deficit recovery plan to clear its deficit within 20 years of the balance sheet date. This Triennial Valuation revealed that the Fund's assets, at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This is an increase on the 78% funding level as at the March 2019 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, Corporate Director, of Finance and Resources Ravinder Jassar, Deputy Director of Finance Sawan Shah, Head of Pensions George Patsalides, Finance Analyst Carlito Rendora, Interim 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 UBS
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 57 of The Local Government Pension Scheme (Administration) Regulations 2013, all LGPS funds are required to publish an Annual Report. This document is the Annual Report and Accounts of the Brent Pension Fund for 2022/23.

The LGPS in brief

- The LGPS is one of the largest public sector pension schemes in the UK, with 6.4 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 24. 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 Corporate Director of Finance and Resources.
- This report supports Brent Council's Annual Governance Statement, which is published at page 24.

Governance Compliance

The Brent Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) Regulation 55. The full compliance statement is at page 24.

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 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 2023

Chair:	Cllr R Johnson
Other Members:	Cllr M Mitchell (Vice Chair) Cllr S Choudry Cllr S Kansagra Cllr R Hack Cllr T Miller
Employee representatives:	Elizabeth Bankole (UNISON)
Other attendees:	Minesh Patel, Corporate Director, Finance and Resources 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	ISAE 3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
BlackRock	ISAE 3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
Capital Dynamics	ISAE 3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
Fidelity	ISAE 3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
London CIV	Third-Party Controls Oversight	N/A	N/A	N/A
LGIM	ISAE 3402	Reasonable Assurance	Reasonable Assurance	KPMG LLP
UBS	ISAE 3402	Reasonable Assurance	Reasonable Assurance	EY

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 2022/23, 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 DLUHC regulations (formerly MHCLG).

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 that a net increase in the Fund's market value of £319m over the period.

This is mostly attributable to the change on market value of £266m over the period. During 2022/23, the Fund value decreased by £13.5m, which is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

Financial Summary	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Contributions receivable	(54.9)	(65.2)	(66.8)	(70.9)	(73.8)
Benefits payable	47.7	54.2	47.6	52.7	55.6
Net (additions)/withdrawals from dealings with members	**(7.2)**	**(11.1)**	**(19.2)**	**(18.2)**	**(18.2)**
Management expenses	6.8	3.8	4.2	4.3	4.1
Net of investment income and taxes on income	(1.4)	(1.2)	(0.7)	(1.1)	1.8
Change in market value	(61.7)	34.1	(176.1)	(88.1)	25.8
Net (increase)/decrease in Fund Value	**(63.5)**	**25.6**	**(191.8)**	**(103.1)**	**13.5**

Analysis of Dealings with Scheme Members

As shown in the table below, net contributions from members has been positive over the past five years. Employer contributions have stayed broadly similar to previous financial year, this is due to no change in the main employer contribution rate. Transfers in have decreased due to fewer new members choosing to transfer in benefits. Transfers out have increased compared to last year, reflecting more members electing to remove their benefits from the scheme.

Analysis of Dealings with Scheme Members	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Contributions receivable					
Members	(9.2)	(8.5)	(9.5)	(9.7)	(10.6)
Employers	(42.9)	(51.5)	(51.4)	(54.4)	(56.9)
Transfers In	(2.8)	(5.2)	(5.9)	(6.8)	(6.3)
Total	**(54.9)**	**(65.2)**	**(66.8)**	**(70.9)**	**(73.8)**
Benefits payable					
Pensions	37.7	38.6	37.5	39.7	41.4
Lump sum retirement and death benefits	8.2	9.3	4.8	7.2	6.4
Transfers Out	1.7	6.2	5.3	5.7	7.6
Refunds to members leaving service	0.1	0.0	0.0	0.2	0.2
Total	**47.7**	**54.1**	**47.6**	**52.7**	**55.6**
Net Dealings with Members	**(7.2)**	**(11.1)**	**(19.2)**	**(18.2)**	**(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.

Analysis of Management Expenses	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Administration costs	1.2	1.1	1.8	1.6	1.4
Oversight and Governance costs	0.2	0.3	0.2	0.2	0.2
Other expenses	2.2	0.0	0.0	0.0	0.0
Investment management expenses					
Management fees	2.7	2.4	2.2	2.4	2.4
Custody fees	0.1	0.0	0.0	0.1	0.1
One-off transaction costs	0.4	0.0	0.0	0.0	0.0
Total	**6.8**	**3.8**	**4.2**	**4.3**	**4.1**

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 2022/23 are set out in the table below.

Annual Pensionable Pay	Rate
Up to £16,500	5.5%
£16,501 to £25,900	5.8%
£25,901 to £42,100	6.5%
£42,101 to £53,300	6.8%
£53,301 to £74,700	8.5%
£74,701 to £105,900	9.9%
£105,901 to £124,800	10.5%
£124,801,001 to £187,200	11.4%
£187,201 or more	12.5%

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. The most commonly applied employer contribution rate within the Brent Pension Fund was 35% in 2022/23.

Regulations state that contributions must be paid to the Fund by the 22nd day of the month following deduction. The Fund reserves to right to levy interest on an employer for the late payment of contributions. In 2022/23, this power was not exercised.

3. Investment Policy and Performance

The Administering Authority invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into effect on the 1st November 2016.

During 2022/23, 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)
- UBS (Property)

The cash balance is deposited with money market funds.

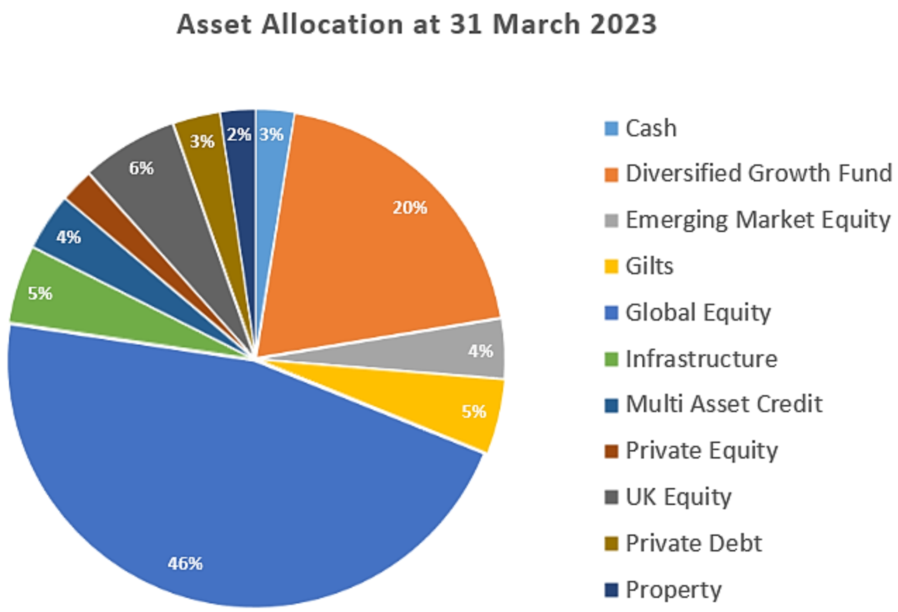
2022/23 Investment Results

Asset Allocation and Fund Performance

The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2023 is shown below:

Time Period	Total Fund Return %	Fund Benchmark Return %
1 year	-2.6	-2.3
3 years	8.7	7.2
5 years	5.8	5.0

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. During the year allocations to Low Carbon Equities and Property were topped up. It will be some time before funds are fully invested. The asset allocation as at 31 March 2023 is illustrated by the below chart.



Overall, the fund delivered a negative return of -2.6% for the year. Positive returns were achieved in the final 3 quarters with negative returns in the first quarter. The majority of holdings struggled in the first quarter in a challenging environment, driven by the Fund's holdings in global equities and gilts. Returns in the final 3 quarters were driven by the Fund's growth holdings and the Fund's multi-asset investment with LCIV Absolute Return through Ruffer was a positive performer.

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 2023 (£m)	Allocation at 31 March 2023 (%)	Last Year (%) Fund	Last Year (%) Benchmark	Last 3 Years (%) Fund	Last 3 Years (%) Benchmark	Last 5 Years (%) Fund	Last 5 Years (%) Benchmark
UK Equities - L&G	UK Equity		69.8	6.25	3.0	2.9	13.9	13.8	4.7	4.8
Global Equities - L&G	Global Equity		488.2	43.73	-0.9	-0.8	16.9	16.9	11.3	11.3
UK Equities - London CIV	UK Equity	50	0.0	0.00	n/a	n/a	n/a	n/a	n/a	n/a
LCIV JP Morgan EM	Emerging Market Equity		43.3	3.88	-1.2	-4.9	10.8	7.9	-	-
Global Low Carbon Dev	Global Equity		28.1	2.52	-4.1	-1.0	-	-	-	-
DGF LCIV Baillie Gifford	Diversified Growth Fund	5	123.7	11.08	-8.5	4.4	3.8	2.9	1.5	3.2
DGF LCIV Ruffer	Diversified Growth Fund		98.6	8.83	1.3	4.4	9.4	2.9	6.1	3.2
LCIV Multi Asset Credit	Multi Asset Credit	5	41.9	3.75	-4.2	4.3	5.8	2.9	-	-
Blackrock - Over 15 year GILTS	Gilts	10	54.2	4.85	-29.7	-29.7	-16.3	-16.4	-	-
Private Equity - Capital Dynamics	Private Equity	0	24.4	2.19	-1.0	0.6	7.5	18.1	10.2	9.8
Infrastructure - Capital Dynamics	Infrastructure		2.6	0.23	12.2	12.1	-11.0	7.9	-3.1	7.3
Infrastructure - ALINDA	Infrastructure	15	17.2	1.54	26.7	12.1	10.0	7.9	7.7	7.3
Infrastructure - LCIV Stepstone	Infrastructure		36.8	3.30	15.7	12.1	4.7	7.9	-	-
LCIV Private Debt Fund	Private Debt	5	34.8	3.12	13.0	6.0	-	-	-	-
Fidelity UK Real Estate Fund	Property	10	13.7	1.23	-13.2	-14.1	-	-	-	-
USB Triton Property Fund	Property		11.4	1.02	-	-	-	-	-	-
Cash	Cash	0	27.7	2.48	-0.2	2.4	-0.1	0.9	0.0	0.8
TOTAL		**100.0**	**1116.4**	**100**	**-2.6**	**-2.3**	**8.7**	**7.2**	**5.8**	**5.0**

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 63LGPS funds):

	Rank	Period ended 31 Mar 23	PIRC Local authority Average
1 year	38	-2.6	-1.6
3 years	63	8.7	9.5
5 years	48	5.8	5.9
10 years	76	6.6	7.3

It is important to note that, as a long-term investor, investment returns over a longer period of time should be considered. The table below shows the rolling three-year performance of the Fund compared to other LGPS funds:

	Rank	Rolling 3-year return
2022/23	63	8.7
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 at page 98.

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 125 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.

Responsible Investment Policy

The Fund's responsible investment policy formalises the Fund's Responsible Investment beliefs and principles and the approach the Fund is taking to fulfilling its commitments. The statement can be found at the following link:
https://democracy.brent.gov.uk/documents/s125921/Appendix%201%20-%20Brent%20RI%20policy%20paper.pdf

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 £14.3bn of LGPS assets under management as at 31 March 2023 and a further £12.5bn pooled under passive arrangements. London CIV's annual review for the year ended 31st March 2023 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 2022/23, the Fund's investments in the London CIV infrastructure fund and London CIV Private Debt fund continued 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 made further investment in a low carbon passive equity holding through Blackrock.

As at 31/03/2023, 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. The table below shows the pooling status of the Fund's investments grouped by asset class:

Asset Class	**Pooled £m**	**Non-pooled £m**	**Total £m**
Global Equities	559.6		559.6
UK Equities	69.8		69.8
Diversified Growth Fund	222.3		222.3
Fixed Income	96.1		96.1
Private Equity		24.4	24.4
Infrastructure	36.8	19.8	56.6
Private Debt	34.8		34.8
Property		25.1	25.1
Cash		27.7	27.7
Total	**1019.4**	**97.0**	**1116.4**
Investment Management Costs	**1.8**	**0.7**	**2.5**

Investment management costs totalled £2.5m in 2022/23 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 2022/23 and since inception:

Type of Cost	**2022/23 £'000**	**Cumulative £'000**
Set up costs		
Shareholding at cost	0	150
Development Funding Charge	85	460
Annual Service Charge	25	200
Ongoing investment management costs		
Investment management costs*	52	179
Total	**162**	**989**

*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 85.8%. This is lower than in recent years due to spikes in casework following the migration of IT systems that took place during the year for all LPP clients.

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 2022 to 31 March 2023.

Staffing

LPP currently has 6.5 FTE working on Brent administration with a ratio of 1 member of staff to 6,669 fund members. The team completed a total of 5,347 cases include other contractual cases outside of the top 13 for the period 1st April 2022 to 31st March 2023, which averages 825 cases per staff member.

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.

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 50 complaints received during the year, broken down by quarter below.

Quarter	Number of complaints
Q1	8
Q2	9
Q3	13
Q4	20
Totals	**50**

Dispute resolution procedure

There were 5 Internal Dispute Resolutions received during the period 1st April 2022 to 31st March 2023.

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 at the end of March 2023 is shown in the table below.

COMMON DATA CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
Invalid or Temporary NI Number	3	78	24
Duplicate effective date in status history	0	8	9
Gender is not Male or Female	0	0	0
Duplicate entries in status history	10	33	20
Missing (or known false) Date of Birth	0	0	0
Date Joined Scheme greater than first status entry	10	0	4
Missing Surname	0	0	0
Incorrect Gender for members title	0	0	0
Invalid Date of Birth	5	0	0
No entry in the status history	2	0	0
Last entry in status history does not match current status	13	6	1
Member has no address	22	527	32
Missing Forename(s)	0	6	1
Missing State Retirement Date	0	0	0
Missing postcode	22	570	57
Missing Date Joined Pensionable Service	1	0	0
Total Fails	88	1,228	148
Individual Fails	62	667	99
Total Members	6,062	10,119	7,160
Accuracy Rate	99.0%	93.4%	98.6%
Total accuracy rate			96.5%

CONDITIONAL DATA CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	105
AVC's/Additional Contributions	25
Deferred Benefits	8
Tranches (DB)	0
Gross Pension (Pensioners)	56
Tranches (Pensioners)	0
Gross Pension (Dependants)	78
Tranches (Dependants)	78
Date of Leaving	163
Date Joined Scheme	167
Employer Details	3
Salary	219
Crystallisation	280
Annual Allowance	152
LTA Factors	99
Date Contracted Out	5
Pre-88 GMP	699
Post-88 GMP	532
Total Fails	2,669
Individual Fails	2,420
Total Members	23,341
Accuracy Rate	89.6%

Financial Indicators

Unit Costs per Member

	2021/22	2022/23
Investment Management Expenses		
Total Costs £'000s	2,472	2,550
Total Membership Numbers	22,993	23,341
Cost per member £	107.51	109.25
Administration Expenses		
Total Costs £'000s	1,588	1,342
Total Membership Numbers	22,993	23,341
Cost per member £	69.06	57.50
Oversight and Governance Costs		
Total Costs £'000s	237	219
Total Membership Numbers	22,993	23,341

Cost per member £	10.31	9.38
Total cost per member £	186.88	176.13

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.

	2021/22	**2022/23**
Number of full time equivalent staff	6.3	6.5
Total fund membership	22,993	23,341
Number of fund members to one member of administration staff	3,650	3,591

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 2022-23.

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
tppensions@brent.gov.uk	For teachers pensions enquiries
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 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022.

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 2022 were valued at £1,134m were sufficient to meet 87% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £162m.

During 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35% 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 version of the actuarial report can be obtained below:

https://legacy.brent.gov.uk/media/16420650/230331-london-borough-of-brent-pension-fund-2022-final-valuation-report.pdf?_ga=2.75412560.377455594.1693473320-2002706944.1684229698

London Borough of Brent Pension Fund ("the Fund")

Actuarial Statement for 2022/23

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). In summary, the key funding principles are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of 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 20 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 20 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 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,134 million, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £162 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 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 2022 valuation were as follows:

Financial Assumptions for the 2022 Valuation of The Fund

Financial assumptions	**31 March 2022**
Discount rate	4.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.7%

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Life Expectancy Assumptions for the 2022 Valuation of The Fund

Type of Pensioner	Males' Average Life Expectancy	Females' Average Life Expectancy
Current Pensioners	22.1 years	24.8 years
Future Pensioners*	23.4 years	26.3 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2023

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA

18 May 2023

For and on behalf of Hymans Robertson LLP

7. Governance

Annual Governance Statement

The Local Government Pension Scheme Regulations 2013 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 Corporate Director, Finance and Resources 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 2022/23 included:

- Investment Basics
- Current issues and themes
- Actuarial valuation
- Asset-Liability Modelling
- Long-Term Asset Allocation and Diversification
- Property Training

Use of advisers

The Corporate Director, Finance and Resources, Deputy Director of Finance and Head of Pensions 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 2013.

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.
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)	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.

Ref.	Principles	Compliance and comments
	iii) where appropriate, independent professional observers, and iv) expert advisers (ad-hoc basis only).	
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**	
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.

Ref.	Principles	Compliance and comments
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**	
	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance. The Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.

Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2023

2021/22 £m		Notes	2022/23 £m
	Dealings with members, employers and others directly involved in the fund		
(64.1)	Contributions	7	(67.5)
(6.8)	Transfers in from other pension funds	8	(6.3)
(70.9)			**(73.8)**
46.8	Benefits	9	47.8
5.9	Payments to and on account of leavers	10	7.8
52.7			**55.6**
(18.2)	**Net (additions)/withdrawals from dealings with members**		**(18.2)**
4.3	Management expenses	11	4.1
(13.9)	**Net (additions)/withdrawals including management expenses**		**(14.1)**
	Returns on investments		
(1.1)	Investment income	12	(1.1)
0.0	Taxes on income	13	2.9
(88.1)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	25.8
(89.2)	**Net return on investments**		**27.6**
(103.1)	**Net (increase)/decrease in the net assets available for benefits during the year**		**13.5**
(1,030.7)	**Opening net assets of the scheme**		**(1,133.8)**
(1,133.8)	**Closing net assets of the scheme**		**(1,120.3)**

Net Assets Statement

31 March 2022 £m		Notes	31 March 2023 £m
1,127.7	Investment assets	14	1,116.1
1,127.7			**1,116.1**
8.6	Current assets	20	8.1
(2.5)	Current liabilities	21	(3.9)
1,133.8	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,120.3**

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2023 but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

Notes to the Brent Pension Fund accounts

1. Description of Fund

The Brent Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) 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 42 employer organisations with active members within the Brent Pension Fund at 31 March 2023, 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
Barnardos
CATERLINK LTD
Conway Aecom Ltd
DB Services
FM Conway
Local Employment Access Project (LEAP)
National Autistic Society (NAS)
Prospects Services (BR)
Sudbury Neighbourhood Centre
Taylor Shaw
Veolia
Veolia (Ground Maintenance)

31-Mar-22	Brent Pension Fund	31-Mar-23
44	Number of employers with active members	42
	Number of employees in scheme	
4,399	Brent Council	4,303
1,640	Other employers	1,758
6,039	**Total**	**6,061**
	Number of pensioners	
6,210	Brent Council	6,341
757	Other employers	819
6,967	**Total**	**7,160**
	Deferred pensioners	
7,188	Brent Council	7,218
1,280	Other employers	1,326
8,468	**Total**	**8,544**

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 2023. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. During 2022/23, 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 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 issued by the Chartered

Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. *Summary of significant accounting policies*

Fund Account – revenue recognition

a) Contribution income

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

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

ii) Dividend income

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

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

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

Fund Account – expense items

d) Benefits payable

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

e) Taxation

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

f) Administration expenses

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

g) Investment management expenses

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

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

Net Assets Statement

h) Financial assets

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

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

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

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

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

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

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

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

i) Contingent Assets

Admitted body employers in the Brent Pension Fund hold bonds to guard against possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 25.

j) Foreign currency transactions

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

k) Derivatives

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

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

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

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

o) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 22).

4. Critical judgements in applying accounting policies

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% p/a decrease in the discount rate assumption would result in an increase in the pension liability of approximately £24m. A 0.1% increase in Pension Increase Rate (CPI) would increase the value of liabilities by approximately £23m, and a one-year increase in assumed life expectancy would increase the liability by around 4% (c. £55m).
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 £116m. There is a risk that this investment may be under- or overstated in the accounts up to 17% (an increase or decrease of £20m).

6. Events after the Reporting Date

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions receivable

By category

	2021/22	2022/23
	£m	**£m**
Employees' Contributions	9.7	10.6
Employers' Contributions:		
Normal contributions	49.9	55.0
Deficit recovery contributions	1.7	0.0
Augmentation contributions	2.8	2.0
Total Employers' contributions	54.4	57.0
Total contributions receivable	**64.1**	**67.6**

By authority

	2021/22	2022/23
	£m	**£'000**
Administering Authority	50.7	54.4
Scheduled bodies	11.9	12.7
Admitted bodies	1.4	0.5
Total	**64.1**	**67.6**

8. Transfers in from other pension funds

	2021/22	2022/23
	£m	**£m**
Individual transfers	6.8	6.3
Total	**6.8**	**6.3**

9. Benefits payable

By category

	2021/22 £m	2022/23 £m
Pensions	39.7	41.4
Commutation and lump sum retirement benefits	6.1	6.1
Lump sum death benefits	1.1	0.3
Total	**46.8**	**47.8**

By authority

	2021/22 £m	2022/23 £m
Administering Authority and Scheduled bodies	46.5	47.5
Admitted bodies	0.3	0.3
Total	**46.8**	**47.8**

10. Payments to and on account of leavers

	2021/22 £m	2022/23 £m
Refunds to members leaving service	0.2	0.2
Individual transfers	5.7	7.6
Total	**5.9**	**7.8**

11. Management Expenses

	2021/22	2022/23
	£m	**£m**
Administration costs	1.6	1.4
Investment management expenses	2.5	2.5
Oversight and Governance costs	0.2	0.2
Total	**4.3**	**4.1**

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 £38k (£38k 2021/22).

a) Investment management expenses

	2021/22	2022/23
	£m	**£m**
Management fees	2.4	2.4
Custody fees	0.1	0.1
Total	**2.5**	**2.5**

Fund Manager	2022/23 Total	Management fees	Custody fees	One-off transaction costs
	£m	**£m**	**£m**	**£m**
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.1	0.1	0.0	0.0
LCIV JP Morgan 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	0.0	0.0	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.1	0.1	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
UBS Triton	0.1	0.1	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	2021/22 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Alinda	0.2	0.2	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.1	0.1	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV JP Morgan 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**

12. *Investment income*

	2021/22	2022/23
	£m	£m
Dividend income from private equities/infrastructure/property	0.4	0.3
Interest income from private equities/infrastructure/private debt	0.7	0.5
Interest on cash deposits	0.0	0.3
Total	**1.1**	**1.1**

13. *Taxes on income*

	2021/22	2022/23
	£m	£m
Withholding tax	0.0	2.9
Total	**0.0**	**2.9**

14. Investments

Investments asset	Market value 31 March 2022	Market value 31 March 2023
Pooled investments	986.6	947.9
Pooled property investments	15.7	25.0
Private equity/infrastructure/private debt	101.3	115.7
	1,103.6	**1,088.6**

14a. Investments 2022/23	**Market value 1 April 2022**	**Purchases during the year**	**Sales during the year**	**Change in market value during the year**	**Market value 31 March 2023**
	£m	**£m**	**£m**	**£m**	**£m**
Pooled investments	986.6	13.0	(13.0)	(38.7)	947.9
Pooled property investments	15.7	0.0	0.0	9.3	25.0
Private equity/infrastructure /private debt	101.3	26.2	(15.4)	3.6	115.7
	1,103.6	**39.2**	**(28.4)**	**(25.8)**	**1,088.6**
Other investment balances: Cash Deposit	24.1				27.5
Investment income due	0.0				0.0
Net investment assets	**1,127.7**				**1,116.1**

Investments 2021/22	**Market value 1 April 2021**	**Purchases during the year**	**Sales during the year**	**Change in market value during the year**	**Market value 31 March 2022**
	£m	**£m**	**£m**	**£m**	**£m**
Pooled investments	897.4	15.0	(1.6)	75.8	986.6
Pooled property investments	0.0	15.0	0.0	0.7	15.7
Private equity/infrastructure	81.1	37.8	(29.2)	11.6	101.3
	978.5	**67.8**	**(30.8)**	**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**

14b. Analysis of investments by category

	31 March 2022 £m	31 March 2023 £m
Pooled funds - additional analysis		
UK		
Fixed income unit trust	43.7	41.9
Unit trusts	145.1	124.2
Diversified growth funds	232.5	222.3
Overseas		
Unit trusts	565.3	559.5
Total Pooled funds	986.6	947.9
Pooled property investments	15.7	25.0
Private equity/infrastructure/private debt	101.3	115.7
Total investments	**1,103.6**	**1,088.6**

14c. Analysis of investments by fund manager

Market Value

31 March 2022 £m	%	Fund manager	31 March 2023 £m	%
573.9	52.0%	Legal & General	557.9	51.2%
0.2	0.0%	London CIV	0.2	0.0%
43.8	4.0%	LCIV - JP Morgan	43.3	4.0%
36.2	3.3%	Capital Dynamics	27.0	2.5%
135.1	12.2%	LCIV - Baillie Gifford	123.7	11.4%
97.4	8.8%	LCIV - Ruffer	98.6	9.1%
43.7	4.0%	LCIV - MAC (CQS)	41.9	3.8%
21.4	1.9%	LCIV - Infrastructure	36.8	3.4%
20.3	1.8%	LCIV - Private Debt	34.8	3.2%
23.4	2.1%	Alinda	17.1	1.6%
15.7	1.4%	Fidelity UK Real Estate	13.7	1.3%
15.4	1.4%	Blackrock Low Carbon Global Equity	28.1	2.6%
77.1	7.0%	Blackrock	54.2	5.0%
0.0	0.0%	UBS Triton Property Fund	11.3	1.0%
1,103.6	**100.0%**		**1,088.6**	**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 2022	% of total fund	Market value 31 March 2023	% of total fund
L&G - Global Equities	506.1	44.9%	488.1	43.3%
L&G - UK Equities	67.8	6.0%	69.8	6.2%
Blackrock - Over 15 year Gilts	77.1	6.8%	54.2	4.8%
LCIV - Baillie Gifford DGF	135.1	12.0%	123.7	11.0%
LCIV - Ruffer DGF	97.4	8.6%	98.6	8.7%

14d. Stock lending

The London Borough of Brent Pension Fund does not operate a Stock Lending programme.

15. 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

15a. 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 2023.

	Assessed valuation range (+/-)	**Value at 31 March 2023**	**Value on increase**	**Value of decrease**
		£m	£m	£m
Private equity	31.2%	24.4	32.0	16.8
Infrastructure	16.0%	56.5	65.5	47.5
Private debt	9.6%	34.8	38.1	31.5

15b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Brent Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Transfers between levels will be recognised when there has been a change to observable mark data (improvement or reduction) or other change in valuation technique.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets at fair value through profit and loss				
Pooled investments		947.9		**947.9**
Pooled property investments		25.0		**25.0**
Private Equity/Infrastructure/Private Debt			115.7	**115.7**
Subtotal Financial assets at fair value through profit and loss	**0.0**	**972.9**	**115.7**	**1,088.6**
Cash	27.5			**27.5**
Investment Income due	0.0			**0.0**
Subtotal Loans and receivables	**27.5**	**0.0**	**0.0**	**27.5**
Total Financial assets	**27.5**	**972.9**	**115.7**	**1,116.1**
Financial liabilities				
Current liabilities	**(3.9)**			**(3.9)**
Subtotal Financial liabilities at amortised cost	**(3.9)**	**0.0**	**0.0**	**(3.9)**
Total Financial liabilities	**(3.9)**	**0.0**	**0.0**	**(3.9)**
Net Financial assets	**23.6**	**972.9**	**115.7**	**1,112.2**

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
Financial assets at fair value through profit and loss				
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**

15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2022	101.3
Transfers into Level 3	0.0
Transfers out of Level 3	0.0
Purchases	26.2
Sales	(15.4)
Issues	0.0
Settlements	0.0
Unrealised gains/losses	16.8
Realised gains/losses	(13.2)
Value at 31 March 2023	115.7

16. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2022				**31 March 2023**	
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
			Financial assets			
986.6			Pooled investments	947.9		
15.7			Pooled property investments	25.0		
101.3			Private equity/ infrastructure/private debt	115.7		
	24.1		Cash		27.5	
	8.6		Debtors		8.1	
1,103.6	**32.7**	**0.0**	**Total Financial assets**	**1,088.6**	**35.6**	**0.0**
			Financial liabilities			
		(2.5)	Creditors			(3.9)
0.0	**0.0**	**(2.5)**	**Total Financial liabilities**	**0.0**	**0.0**	**(3.9)**
1,103.6	**32.7**	**(2.5)**	**Net Financial assets**	**1,088.6**	**35.6**	**(3.9)**

16a. Net gains and losses on Financial Instruments

31 March 2022 £'000		**31 March 2023 £'000**
88.1	Fair value through profit and loss	(25.8)
88.1	**Total**	**(25.8)**

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17. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period. (Based on data as at 31 March 2023 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Other price risk – sensitivity analysis

	31/03/2023 Value (£m)	**Potential market movements (+/-)**
Asset Type		
Bonds	54.2	7.6%
Equities	629.5	19.3%
Other Pooled investments	264.2	10.7%
Pooled Property investments	25.0	15.5%
Private Equity	24.4	31.2%
Infrastructure	56.5	16.0%
Private debt	34.8	9.6%

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	**31/03/2023 Value (£m)**	**Potential value on increase (£m)**	**Potential value on decrease (£m)**
Bonds	54.2	58.3	50.1
Equities	629.5	751.0	508.0
Other Pooled investments	264.2	292.5	235.9
Pooled Property investments	25.0	28.9	21.1
Private Equity	24.4	32.0	16.8
Infrastructure	56.5	65.5	47.5
Private debt	34.8	38.1	31.5
Total	**1,088.6**	**1,266.4**	**910.8**

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 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2022	**31 March 2023**
	£m	**£m**
Cash balances	24.1	27.5
UK Fixed income unit trust	43.7	41.9
Total	**67.8**	**69.4**

Asset type	**Carrying amount as at 31 March 2023**	**+1%**	**-1%**
	£m		**£m**
Cash balances	27.5	0.3	(0.3)
UK Fixed income unit trust	41.9	0.4	(0.4)
Total	**69.4**	**0.7**	**(0.7)**

Asset type	**Carrying amount as at 31 March 2022**	**+1%**	**-1%**
	£m		**£m**
Cash balances	24.1	0.3	(0.3)
UK Fixed income unit trust	43.7	0.4	(0.4)
Total	**67.8**	**0.7**	**(0.7)**

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 2023 and as at the previous period end:

Currency risk exposure - asset type	Asset value at 31 March 2022 £m	Asset value at 31 March 2023 £m
Overseas unit trusts	565.3	559.5
Overseas pooled property investments	0.0	0.0
Overseas private equity/infrastructure/private debt	101.3	115.7
Total	**666.6**	**675.2**

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 2023 £m	+1% £m	-1% £m
Overseas unit trusts	559.5	5.6	(5.6)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	115.7	1.2	(1.2)
Total	**675.2**	**6.8**	**(6.8)**

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)**

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 2023 was £27.5m (31 March 2022: £24.1m). This was held with the following institutions:

Credit risk exposure

	Rating	**Balances at 31 March 2022**	**Balances at 31 March 2023**
		£m	**£m**
Bank deposit accounts			
NatWest	A	0.9	0.8
Northern Trust - Aviva Cash		0.1	0.1
Money Market deposits	AAA	23.1	26.6
Other short-term lending			
Local authorities		0.0	0.0
Total		**24.1**	**27.5**

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 2023 the value of illiquid assets was £140.7m, which represented 12.6% (31 March 2022: £117.0m, which represented 10.4%) 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 2023 are due within one year."

Liquidity Risk

	31-Mar-22	%	31-Mar-23	%
Pooled investments	986.6	87.5%	947.9	84.9%
Cash deposits	24.1	2.1%	27.5	2.5%
Investment income due	0	0.0%	0.0	0.0%
Total liquid investments	**1,010.7**	**89.6%**	**975.4**	**87.4%**
Pooled property investments	15.7	1.4%	25.0	2.2%
Private Equity/ Infrastructure/private debt	101.3	9.0%	115.7	10.4%
Total illiquid investments	**117.0**	**10.4%**	**140.7**	**12.6%**
Total investments	**1,127.7**	**100.0%**	**1,116.1**	**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.

18. Funding arrangements

In line with the LGPS Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025 and results are scheduled to be released by 31 March 2026.

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 20 years from 1 April 2022 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 2022 actuarial valuation the Fund was assessed as 87% funded, which is a improvement to the 78% valuation at the 2019 valuation. This corresponded to a deficit of £162m (2019 valuation: £248m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 20 years from April 2022.

Contribution increases or decreases may be phased in over the three-year period beginning 1 April 2023 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2023/24	33.5%
2024/25	32.0%
2025/26	30.5%

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 2022 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 main actuarial assumptions used for the 2022 actuarial valuation were as follows:

Discount rate	4.3% p.a.
Pay increases	3.0% p.a.
Pension increases	2.7% p.a.

Demographic assumptions

Future life expectancy based on the Actuary's fund-specific review was:

Life expectancy at age 65	Male	Female
Current pensioners	22.1 years	24.8 years
Future Pensioners retiring in 20 years	23.4 years	26.3 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.

19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2023 was £1,380m (31 March 2022: £1,838m). 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 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Financial assumptions

Inflation/pensions increase rate	3.00%
Salary increase rate	3.30%
Discount rate	4.75%

Longevity assumption

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

	Males	Females
Current pensioners	22.0 years	24.7 years
Future pensioners*	23.0 years	25.9 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.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	24
1 year increase in member life expectancy	4%	55
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	23

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. £55m).

20. Assets

a) Current assets

	31 March 2022 £m	31 March 2023 £m
Debtors:		
- Contributions due – employees	0.2	0.2
- Contributions due – employers	0.9	1.2
- Sundry debtors	7.5	6.7
Total	**8.6**	**8.1**

Analysis of debtors

	31 March 2022 £m	31 March 2023 £m
- Central government bodies	0.8	0.9
- Other local authorities	6.1	5.8
- Other entities and individuals	1.7	1.4
Total	**8.6**	**8.1**

21. Current liabilities

	31 March 2022 £m	31 March 2023 £m
Group transfers	0.0	0.0
Sundry creditors	2.5	3.9
	2.5	**3.9**

Analysis of creditors

	31 March 2022 £m	31 March 2023 £m
Central government bodies	1.0	1.0
Other entities and individuals	1.5	2.9
Total	**2.5**	**3.9**

22. Additional voluntary contributions

	Market value 31 March 2022 £m	Market value 31 March 2023 £m
Clerical Medical	1.3	1.1
Prudential	0.7	0.7
	2.0	**1.8**

	Contributions 31 March 2022 £m	Contributions 31 March 2023 £m
Clerical Medical	0.0	0.0
Prudential	0.1	0.1
	0.1	**0.1**

For information, Prudential has since replaced Clerical Medical as the Fund's AVC provider with effect from 1 April 2014.

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

23. Related party transactions

Brent Council

The Brent Pension Fund is administered by Brent Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.30m (2021/22: £1.24m) 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 £43.9m to the Fund in 2022/23 (2021/22: £41.0m)

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, Corporate Director Finance and Resources (s.151 officer), Corporate Director Governance, Deputy Director of Finance and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	31st March 2022 £m	**31st March 2023 £m**
Short Term Benefits	0.040	0.091
Post-Employment Benefits	0.012	0.000
Termination Benefits	0.000	0.030
Total Remunerations	**0.052**	**0.121**

24. Contingent liabilities and capital commitments

Outstanding capital commitments (investments) at 31 March 2023 totalled £60.5m (31 March 2022 £82.1m)

	31st March 2022	31st March 2023
	£m	£m
Capital Dynamics	12.9	13.5
Alinda Fund II	2.5	2.4
Alinda Fund III	8.1	9.1
London CIV Infrastructure Fund	28.9	17.1
London CIV Private Debt Fund	29.7	18.4
Total	**82.1**	**60.5**

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

25. Impairment Losses

The Fund had no Impairment Losses at 31 March 2023.

Placeholder - independent auditor's report yet to be drafted

10. Glossary

Accounting Policies

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

Accruals

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

Active Management

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

Active Member

Current employee who is contributing to a pension scheme.

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 Gains and Losses

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

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 professional who advises the council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

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, whose staff can become members of the Fund by virtue of an admission agreement made between the council and the organisation. It enables contractors who take on the Council's services with employees transferring to offer those staff continued membership of the Fund.

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 different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

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 – An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

Benchmark

A measure against which the investment policy or performance of an investment manager can be compared. 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

Investments, mainly in government stocks which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange in the meantime.

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.

CIPFA (Chartered Institute of Public Finance and Accounting)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the code.

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.

Creditors

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

Debtors

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

Deferred Members

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

Defined Benefit Scheme

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set to meet the pensions promised.

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).

Derivative

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange, rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date.

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..

Employer Contribution Rates

The percentage pf the salary of employees that employers pay as a contribution towards the employees' pension

Emerging Markets

The financial markets of developing economies.

Equities

Ordinary share in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Exchange Traded

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

Financial Assets

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives)

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.

Forward Foreign Exchange Derivative

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange

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 calculation of the average price of share, bonds or other assets in a specified market to provide an indication of the average performance and general trends in the market.

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.

Over The Counter

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange.

Past service adjustment

The part of the employer's annual contribution which relates to past service deficit repair.

Passive Management

Passive management is where the investments mirror a market index.

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.

Pooled Investment Vehicles

Funds which manage the investment of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Projected Unit Method – Pension Fund Valuation

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases and
- The accrued benefits for members in service on the valuation date

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.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party: or
- The parties are subject to common control from the same source; or

- One party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests: or
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Parties Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples: of related party transaction include:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund
- The provision of services to a related party, including the provision of pension fund administration services and
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payment of benefits.

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.

Return

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

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

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

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.).

The Code

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting standards. It sets out the proper accounting practice to be adopted for the statement of Accounts to ensure they 'present fairly' the financial position of the Council. The code has statutory status via the provision of the Local Government Act 2003.

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.

Unrealised Gain/Losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

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) 2023

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London Borough of Brent Pension Administration Strategy (PAS)

1. Introduction

The Pension Administration Strategy has been updated to take account of changes to the LGPS regulations and the guidance from The Pensions Regulator. This revised Pension Administration Strategy applies to all employers, academies, and maintained schools (referred to as here as scheme employers or employers).

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

This Pension Administration Strategy ensures that the London Borough of Brent Pension Fund ("the Fund"), "the Administering Authority" (The London Borough of Brent), and employers work together to ensure that accurate data is submitted in a timely manner and member events are notified within the service level agreement set out in this document. The Fund's strategy is to work with employers to achieve this and to assist and support employers to do so.

A review of the strategy will take place at least every three years or as soon as possible following any material changes to the regulations, processes or procedures that affect this strategy. Such changes will be made following consultation with employers and will be reviewed and agreed by LBB. Employers may submit suggestions to improve any aspect of this strategy at any time.

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.

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("it's pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises, the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

2.3 Aims

In making this strategy the Funds aims are:

- To clarify the roles and responsibilities of the "Fund" and scheme employers in administering the Local Government Pension Scheme
- To ensure the services provided by the "Fund" are equitable and transparent
- To assist employers in the effective provision of necessary data.

2.4 Objectives

The Pensions Administration Strategy has a number of specific objectives, including:

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

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

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

For the Administering Authority, effective administration means:

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

For Employing Authorities, effective administration means:

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

For Scheme members, efficient administration means:

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

2.5 Documents which make up the strategy

Together with this statement the strategy is set out in the following documents:

- **Pensions Administration Strategy** - Service Level Agreement

The service level agreement sets out the roles and responsibilities of the "Fund" and scheme employers.

- **Pensions Administration Strategy** - Employer guide

The guide sets out the processes and procedures employers should follow in order to comply with their legal responsibilities under the LGPS regulations.

3. Service Level Agreement

Pensions Administration Strategy - Service level agreement

3.1 Employer Functions

The following functions have been designated employer functions. This means that they are outside the responsibilities of the administrating authority. The "Fund" provides these services for a fee (staffing charges applied by the day or per hour) and the amounts are set out in Annex 1.

There are no changes to these functions as a result of the revised strategy.

Task	Description
Redundancy and Severance	Calculation and payment of redundancy and/or severance payments
FRS 17	Provision of data required for FRS17 calculations
Cessation and interim valuation data	Provision of data required for interim and/or cessation valuations
Miscellaneous non LGPS	Any requests for advice or work which are outside of the requirements of an administrating authority as defined by the LGPS regulations
Admission Agreements	Setting up and amendment of admission agreements
3rd Party activity	Recharges will apply to any work for which a third party is required e.g lawyer or actuary, and the cost will be incurred by the employer

3.2 Actuarial Functions

The following functions have been designated actuarial functions that employers will require input from both the LPPA and the Fund's Actuary Hymans Robertson. This means that they are functions which if required, must be provided by the LPPA 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 LPPA, the Funds Actuary and/or the Fund's legal advisors.
Cessation valuations	Any work in relation to this will require input from both LPPA and the Funds Actuary
Employer actuarial valuations	Any work in relation to this will require input from both LPPA and the Funds Actuary
Academy conversion	Any work in relation to this will require input from both LPPA and the Funds Actuary
Valuation of unfunded liabilities	Any work in relation to this will require input from both LPPA and the Funds Actuary

3.3 Administrating Authority Functions

The following functions have been designated administrating authority functions since they relate directly to the core purpose of administering the scheme.

Also shown are the timescales we will complete the task within (from receipt of all information) and the on-time target for each task.

Key Performance Indicators (KPIs)

Case Type/Task	Timescale (working days)	Target (% within timescale)
Admissions	10	95%
Transfers In/Aggregation	10	95%
Transfer Out	15	95%
Estimates employee	10	95%
Retirements	5	95%
Deferred Benefits	15	95%
Refunds	5	95%
Deaths	5	95%
Correspondence	10	95%
Other queries to employer	10	95%

3.4 Employer Responsibilities

Employers will be responsible for the following functions/tasks to be performed/supplied in the manner and timescale set out below.

An employer guide can be found at Annex 2.

Payments of monies due	Monthly contributions – on time by the 22nd of the following month at the latest and the correct amount Capital Sums – on time by the 22nd of the following month at the latest and the correct amount Single payments of contributions - on time by the 22nd of the following month at the latest and the correct amount AVC contributions – to be paid to the AVC provider on time by the 22nd of the following month at the latest and the correct amount
Submission of year end return	Returns must be submitted each month from 1st April 2023 If you are unable to submit your return by month-end, LPPA and Brent Pensions should be informed of any delay, the reasoning and the likely time frame that you can provide the return
Monthly errors Examples of end of year errors • A missing joiner Form • A missing leaver Form • A missing change of hours • A missing notification of absence • Return from absence • Missing additional contributions • Significantly low/high pensionable remuneration compared to the previous year with no explanation as to the reason	Respond to errors within 10 working days of notification If you are unable to respond in ten working days, inform LPPA of the likely time frame that you can respond in and advise Brent Pensions of the delay

Response to other queries raised (e.g. by the LPPA Pensions Services or Brent Pensions teams) There are times where LPPA 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	10 working days from notification by LPPA or Brent Pensions If unable to respond in 2 weeks, then inform LPPA of the likely timeframe that you can respond in and advise Brent Pensions of the delay
On-line access **Employer LPPA portal "PensionPoint"**	Use of online Forms for all relevant tasks
Submission of joiners/leavers	Notification of joiners within 1 month of joining the scheme Notification of leavers within 1 month of leaving the scheme Notification of retirement within1 month prior to the last day of service
Notification of other changes during employment	Relevant changes e.g. change of hours, absence notification online within 1 month of the event
Correct admission of members into the Fund	You must ensure that you are correctly admitting members into the "Fund"
Up to date discretions policies in place	Discretionary policies to be in place and up to date
Customer Relationship Management contacts	LPPA and Brent Pensions to be notified of contact change or new contact within 1 month via the employers contact form

3.5 Notes to Employer Responsibilities

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

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

3.5.3 Employers will provide LPPA with a monthly data return. The return must be balanced by the employer against the employee and employer contribution payments made for that financial year.

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

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

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

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

4. Staff Charging Schedule

The Fund's staffing charges for work over and above the responsibilities of the administering authority as at July 2023.

VAT is charged on all applicable items.

Staffing level	Charge per day excluding VAT	Charge per hour excluding VAT
Admin Staff	£459.00	£65.00
Team Leader	£795.00	£113.00
Specialist	£850.00	£121.00
Manager	£1,175.00	£168.00
Senior Manager	£1,715.00	£245.00
Director	£2,021.00	£288.00

5. Pensions Administration Strategy - Charging

5.1 Why we need to charge

Whilst the vast majority of employers do provide accurate scheme data on time and process member pension events such as joiners and leavers, there remains a small cohort of employers who sometimes do not do so. The Pension Regulator is insistent that all employers comply with their legal duties and for the "Fund" to have in place a mechanism to impose a levy on employers who fail to do this. Following The Pension Regulator's guidance the "Fund" has incorporated levies for non-compliance of these duties.

5.2 Circumstances on when we would charge

The "Fund" has not set out to arbitrarily impose levies on employers for every minor infraction an employer makes in regards to providing scheme data and processing member's events. The aim is for all employers to work together with the "Fund" and our pension administrator to comply with their legal duties. The service level agreement sets out the timeframes on how long particular functions should be completed by. The "Fund" recognises that there are times when this will not be met or be possible and it is not the Funds intention to automatically levy an employer for this, however employers are expected to remedy matters as soon as is practicable. Should it be the case that an employer persistently takes no regard of the Funds request to comply with their legal duties, and does not work with the Fund to overcome these shortcomings, then imposing a Levy on an employer would be considered (please note that it is the Funds aim is to actively engage with employers to provide them with support to bring them into line with meeting their legal duties before imposing a levy).

5.3 Monitoring after a Levy has been made on an employer

Should it be the case that the “Fund” has imposed a levy on an employer, then that employer will be encouraged and supported to meet its legal duties. Their performance will be monitored and if they are complying with and continue to comply with their legal duties, then consideration will be made by the “Fund” to refund the Levy imposed on them by the “Fund”.

6. Fees – Annex 1

As a last resort and after trying to assist the employer with support or training, the “Fund” reserves to right to levy a fee on an employer whose performance consistently falls short of the standards set out in this document.

Activities	Fees excluding VAT
Late payment of monthly contributions - electronically after 22th Calendar month following deduction and 19th for cheques (Required by law)	£70 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 within stated timelines	£70 per occasion
Change Notification – failure to notify administrators of a change to a member’s 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	£70 per occasion
Month End Data – failure to provide month end data by 10th of the month following payroll	£70 per occasion
Month End Data Queries – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale	£70 initial fee then £30 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	£70 initial fee then £30 for every month the information remains outstanding
Leaver – failure to notify the administrator of any leaver within 1 month of leaving the scheme	£70 initial fee then £30 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	£70 initial fee then £30 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	£70 per occasion

<u>Appendix 1 - Regulation Extract</u>

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

Pension administration strategy

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("it's pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are-
(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
(i) the setting of performance targets,
(ii) the making of agreements about levels of performance and associated matters, or
(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—
(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
(ii such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—
(a) keep its pension administration strategy under review; and
(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—
(a) its pension administration strategy; and
(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Payment by Scheme employers to administering authorities

69. —(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine-

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16(contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—
(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995(41); and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)(42).

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing-

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in sub-paragraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating-
(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

Background

(A) The Administering Authority is an administering authority. It administers and maintains the Fund in accordance with the Regulations.

(B) The Employer is a transferee admission body listed in Schedule 2 of the Administration Regulations.

(C) In accordance with Regulation 59 of the Administration Regulations, the Administering Authority has prepared the Pension Administration Strategy Statement setting out amongst other things the Service Level Agreement.

(D) In preparing the Pension Administration Strategy Statement, the Administering Authority consulted the employing authorities in the Fund (including the Employer), the Pensions Board, and such other persons it considered appropriate.

The Administering Authority published the Pension Administration Strategy Statement and sent a copy of it to each of the employing authorities in the Fund (including the Employer) and to the Secretary of State.

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(E) The Administering Authority will keep the Pension Administration Strategy Statement (including the Service Level Agreement) under review and will make such revisions as are appropriate following any material change in its policies in relation to any of the matters contained in the Pension Administration Strategy Statement.

(F) The Administering Authority and the Employer have agreed to enter into this Agreement to document their agreement to comply with and be bound by the terms of the Service Level Agreement.

Now it is agreed as follows:

1. Interpretation

1.1 The following expressions have the following meanings:

"1997 Regulations"	the Local Government Pension Scheme Regulations 1997 (to the extent applicable by reason of the Transitional Regulations)
"Administration Regulations"	The Local Government Pension scheme Regulations 2013 in force now or as amended and in force at any future date and the Local Government Pension Scheme (Transitional Protection) Regulations 2014
"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 Local Government Pension scheme Regulations 2013 in force now or as amended and in force at any future date and the Local Government Pension Scheme (Transitional Protection) Regulations 2014 and previous regulations as they still have effect in part.
"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 & 2014

1.2 Expressions have the same meaning as in the Regulations, except where the context otherwise requires.

1.3 Any reference in the Agreement to any law or piece of legislation shall include any subsequent amendment to it and any ancillary legislation made under it.

2. The Service Level Agreement

2.1 With effect from the date of this Agreement, the Administering Authority and the Employer agree to use their best endeavours to comply with and be bound by the terms of the Service Level Agreement.

2.2 In consideration of this Agreement the Administering Authority will charge the Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.

2.3 If in the opinion of the Administering Authority the Employer has not complied with the terms of the Service Level Agreement the Administering Authority may charge the Employer a higher contribution towards the cost of the administration of the Fund.

2.4 When considering whether to charge the Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Administering Authority shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.

2.5 Clause 2.3 shall not affect the Administering Authority's ability under Regulation 70 of the Administration Regulations to give written notice to the Employer where it has incurred additional costs which should be recovered from the Employer because of the Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.

2.6 The Employer acknowledges that the Service Level Agreement may be revised from time to time by the

Administering Authority in accordance with Regulation 59 of the Administration Regulations and that the Employer will comply with and be bound by the terms of the revised Service Level Agreement.

3. Other Charges

3.1 The Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.

3.2 Where the Employer requests that the Administering Authority provides services beyond these functions the Administering Authority reserves the right to charge the Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time with the Administering Authority and the Employer.

4. Notices

Any notices under this Agreement shall be in writing and shall be served by sending the same by first class post, fax, facsimile or by hand or leaving the same at the headquarter address of the Employer or the headquarter address of the Administering Authority.

5. Waiver

Failure or neglect by the Administering Authority to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's rights nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's rights to take subsequent action.

6. More than one Counterpart

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

7. Laws

This Agreement will be governed by and interpreted in accordance with the laws of England and Wales.

Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

Appendix 2 – Employer Guide

Employer Guide

What the "Fund" and the LPPA 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 monthly 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 LPPA 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 LPPA 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 LPPA 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 LPPA, 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 LPPA 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 LPPA 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 LPPA 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

b. Employer Numbers Table

The table below shows the Brent employers and their members' details as at 31 March 2023

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
London Borough of Brent	2,479	6,089	5,207	882	883
Ark Elvin Academy	51	27	10	2	22
Age Concern	0	2	5	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	4	1	0
Ark Academy	81	91	5	1	34
Torah Temimah Primary School	0	0	1	0	0
Goldsborough H&N SVC LTD	0	13	99	5	0
Churchill Contracts (BACES)	0	1	0	0	0
Churchill Contracts (Day Cent)	0	4	1	0	0
Capital City Academy	52	64	16	4	7
College of North West London	0	3	0	0	0
NWL Jewish Day School	1	10	5	0	0
Newman Catholic College	47	50	22	2	17
Kilburn Park School	11	29	4	0	5
Malorees Junior School	18	10	7	1	6
St Joseph's RC Primary School	43	34	22	4	12
Preston Manor High School	0	32	16	2	1
St Gregory's RC School	0	5	13	0	0
Copland Community School	1	36	28	5	0
Convent of Jesus & Mary Inf. Sch.	17	55	18	2	7
Claremont High School	0	17	11	1	1
Alperton High School	0	31	22	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	56	48	3	7
Queens Park Community School	0	21	11	2	4
National Autistic Society (NAS)	2	135	126	6	3
Kilburn Skills	0	3	9	2	0
Sudbury Neighbourhood Centre	1	7	21	0	3
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.)	68	36	9	0	17
LEAP	4	5	1	0	0
Childcare	0	0	2	0	0
Carequest	0	0	1	0	0
Islamia Primary School	40	36	5	0	5

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Claremont High School Academy	75	29	7	0	14
Brent Care at Home LTD	0	7	70	9	0
JFS School	69	58	14	0	17
Brent Housing Partnership LTD	0	6	4	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	63	23	4	1	30
Sanctuary Housing Association	1	1	0	0	0
Alperton Community School	87	43	17	2	25
Furness Primary School (Acad.)	37	18	4	0	3
Oakington Manor Primary School	53	35	4	0	15
Queens Park Community School	75	22	11	0	16
The Crest Boys Academy	0	13	7	1	0
The Crest Girls Academy	0	11	3	0	1
Opt Out - No Liability	0	1	0	0	0
Xerox (UK) Limited	0	4	4	0	0
Alpeona HSG Ltd	0	1	0	0	0
Thames Reach Housing Ass	0	17	0	0	0
Sudbury Primary School	22	16	6	0	9
Mount Stewart JM School	29	21	4	0	12
Braintcroft JM School	69	34	7	0	7
Brentfield JM School	14	15	4	0	3
Carlton Vale Infant School	14	11	2	0	2
Christchurch Brond COFE School	39	13	7	0	8
Elsley JM School	0	1	1	0	0
Gladstone Park Primary School	49	49	4	0	9
Kingsbury Green JM School	19	4	9	0	2
St Margaret's Clitheroe School	16	6	0	0	1
College Green Nursery	25	10	4	0	0
Wykeham JM Primary School	0	0	0	1	0
Vernon House	40	45	13	0	20
Leopold School	38	25	2	0	1
St Andrew & St Francis (Acad.)	26	13	12	3	0
Veolia	1	1	1	0	0
Veolia (Ground Maintenance)	1	1	0	0	0
Conway Aecom Ltd	8	16	4	0	2
Barnardos	24	7	1	0	17
Michaela Community School Acad.	103	72	11	0	22
Preston Manor High School	41	30	5	0	14
Ark Franklin Primary School	72	23	5	1	5
St Claudine's Catholic School for Girls	57	31	12	1	13
Gladstone Park Primary School	118	41	15	1	24
Kingsbury High School (Acad.)	53	15	4	0	7
The Crest Academy	64	19	0	0	18

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Woodfield School Academy	28	0	5	1	1
NWL Jewish Day School (Acad.)	41	9	6	0	3
St Gregory’s RC School (Acad.)	1	2	0	0	0
Taylor Shaw	157	49	6	1	36
Manor School (Academy)	2	1	0	0	0
Caterlink Ltd	23	23	2	0	3
Anson Primary School	70	39	1	0	7
Barham Primary School	30	30	3	0	3
Byron Court Primary School	62	17	0	0	4
Chalkhill Primary School	21	5	2	0	2
Curzon Crescent Children's Cen	23	13	2	0	5
Donnington Primary School	21	10	2	0	2
Fawood Children's Centre	56	16	4	4	6
Fryent Primary School	32	4	2	0	2
Granville Children’s Centre	41	21	3	0	4
John Keeble CofE School	1	4	0	0	0
Lyon Park Infants School	47	18	1	0	2
Lyon Park Juniors School	16	20	3	0	3
Malorees Infant	46	33	3	0	3
Michael Sobell Sinai School	70	40	2	0	22
Mitchell Brook Primary School	16	18	4	0	5
Mora Primary School	26	16	0	0	3
Mount Stewart Infants	19	16	4	0	1
Newfield School	22	11	2	0	2
Northview Primary school	27	10	3	0	3
Oliver Goldsmith	18	4	5	0	1
Our Lady Of Grace RC Infants	16	2	1	0	1
Our Lady Of Grace RC Juniors	22	7	1	0	2
Our Lady of Lourdes	47	27	3	0	5
Park Lane Primary School	13	12	2	0	3
Phoenix Arch School(Vernon House School)	49	51	1	1	9
Preston Park Primary	25	16	1	0	7
Princess Frederica Ce Va Primary School	42	14	5	0	4
Roe Green Infant School	33	11	2	0	3
Roe Green Junior School	58	29	2	0	4
Salusbury Primary Sch	15	11	6	0	1
St Mary Magdalenes School	22	10	1	0	4
St Mary's CofE School	17	14	1	0	4
St Mary's RC School	40	10	1	0	0
St Robert Southwell Catholic School	36	16	3	0	6
Stonebridge Primary School	155	69	11	0	17
The Village School	51	15	4	2	3
Uxendon Manor School	73	23	5	0	6
Wembley Primary School	48	4	4	0	7

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Harlesden Primary School	20	2	3	0	3
Compass Learning Partnership	0	0	0	3	0
Previous Service	14	7	2	0	3
London Borough-Non Member EDM	17	8	2	0	0
St Joseph's Infant School	0	7	0	0	0
St Joseph's Junior School	1	0	0	0	0
Edwards & Blake	5	0	2	0	0
FM Conway	0	1	0	0	0
DB Services	2	0	0	0	0
Total	**6,061**	**8,544**	**6,198**	**962**	**1,575**

- 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 month, a full submission of contributions must be submitted by each employer.

Please note that late submission of 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 2023. 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 LPPA to enter onto the relevant LPPA systems. Any errors or inconsistencies in the data can be quickly identified and can be remedied.

c. Funding Strategy Statement

London Borough of Brent Pension Fund Funding Strategy Statement February 2023

Contents

London Borough of Brent Pension Fund – Funding Strategy Statement

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Appendices

Appendix A – The Regulatory Framework

Appendix B – Roles and responsibilities

Appendix C – Risks and controls

Appendix D – Actuarial assumptions

1 Welcome to the fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for London Borough of Brent pension fund.

The pension fund is administered by Brent Council, known as the administering authority. Brent council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 20th February 2023.

There's a regulatory requirement for Brent Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact sawan.shah@brent.gov.uk

1.1 What is the London Borough of Brent pension fund?

The Brent pension fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including the council and academies. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers such as town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme. The Brent fund has no such employers currently.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers such as charities and housing associations, who have a "community of interest" with another scheme employer.

Others may be called **transferee admission bodies** (TABs), typically contractors which provide outsourced services like cleaning or catering to a scheduled body.

These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at within the Fund's annual report at brent.gov.uk/pensions.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Brent pension fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations. Employer

contributions are made up of two elements:

- **the primary contribution rate** – contributions payable towards future benefits (including an allowance for the fund's expenses)
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The fund permits the prepayment of employer contributions in specific circumstances. The fund's policy is to only permit prepayment of Secondary contributions which would otherwise be expressed in monetary (not % of payroll) amounts; the administering authority must be consulted in advance regarding a proposal to prepay, and it may seek assurance that the employer has taken advice and understands the potential risks involved.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer		Scheduled bodies		CABs		TABs*
Sub-type	**Council**	**Academies converted from LEA**	**Free schools**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Contractor exit basis, assuming fixed-term contract in the fund
Minimum likelihood of success	70%	70%	70%	75%	80%	70%
Maximum time horizon	20 years	20 years	20 years	15 years	Average future working lifetime	Same as the letting employer
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary rate	% of payroll	% of payroll	% of payroll	Monetary amount	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority			Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	None

** Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. If this isn't appropriate, contribution increases or decreases may be phased.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for certain employers as follows:

Table 1: current stabilisation approach

Type of employer	Council	Academy converted from LEA
Maximum contribution increase per year	+1.5% of pay	+1.5% of pay
Maximum contribution decrease per year	-1.5% of pay	-1.5% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, 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.

2.5 What is pooling?

The administering authority operates contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority. CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

2.6 What are the current contribution pools?

- LEA schools generally pool with the Council, although 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.

2.7 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in paragraph 2.1 above.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread at administering authority discretion.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

Employers must tell the administering authority if the policy ends or if there are any changes to coverage or premium.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 4).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. Whilst academies are not pooled, their contributions may be set on a pooled basis as follows:

Academy type	Primary contribution rate	Secondary contribution rate
Converting from LEA	Calculated using the current funding strategy (set out in section 2) and the transferring membership	Balance so that total rate equals Council rate each year
Free school	Calculated using the current funding strategy (set out in section 2) and the initial membership.	

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body such as the council or an academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement were to end early, for example if the admission body became insolvent or went out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice; however this is considered on a case-by-case basis. If such a notice is issued, then the cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is only a guarantor of last resort, this will have no effect on the cessation valuation basis applied. If the guarantee is more extensive, the cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's liability, and are deducted from the cessation surplus or added to the cessation deficit. The cessation policy is available from the administering authority.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is available from the administering authority.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement (DDA), it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is available from the administering authority.

7.5 What if an employer has no active members?

If an employer leaves the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at the formal valuation

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers on a pro-rata basis.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?
The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation
Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included issuing a draft version to participating employers and attending an open employers' forum.

A3 How is the FSS published?
The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the fund's annual report and accounts. Copies are freely available on request and by:

- publishing on the administering authority's website
- sending copies to each employer
- including the full statement or summary in the annual report
- adding the FSS to the agenda of pension fund employers' forum
- sending copies to members of the local pension board
- sending copies to employee/pensioner representatives
- making copies freely available on request.

The FSS is published at www.brent.gov.uk/pensions.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pension Fund Sub-Committee and included in the Sub-Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at www.brent.gov.uk/pensions.

Appendix B – Roles and responsibilities

B1 The administering authority:

1. operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
2. manages any conflicts of interest from its dual role as administering authority and a fund employer
3. collects employer and employee contributions, investment income and other amounts due
4. ensures cash is available to meet benefit payments when due
5. pays all benefits and entitlements
6. invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
7. communicates with employers so they understand their obligations
8. safeguards the fund against employer default
9. works with the fund actuary to manage the valuation process
10. provides information to the Government Actuary's Department so they can carry out their statutory obligations
11. consults on, prepares and maintains the funding and investment strategy statements
12. tells the actuary about changes which could affect funding
13. monitors the fund's performance and funding, amending the strategy statements as necessary
14. enables the local pension board to review the valuation process.

B2 Individual employers:

1. deduct the correct contributions from employees' pay
2. pay all contributions by the due date
3. have appropriate policies in place to work within the regulatory framework
4. make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
5. tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
6. make any required exit payments when leaving the fund.

B3 The fund actuary:

1. prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
2. provides information to the Government Actuary's Department so they can carry out their statutory obligations
3. advises on fund employers, including giving advice about and monitoring bonds or other security
4. prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out here. Details of the key fund-specific risks and controls are below.

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 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.
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. For other employers, review of contributions is permitted in general between valuations 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. Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued as at 31 March 2022 in line with the expected regulations, reflecting an underpin as directed by DLUHC. 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 DLUHC intervention triggered by the Section 13 analysis.	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.

Risk	Summary of Control Mechanisms
	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. CABs’ 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. • 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 admission bodies to have a guarantor. • Reviewing bond or guarantor arrangements at regular intervals. • Reviewing contributions well ahead of cessation if thought appropriate.
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.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

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Type of employer	Assessment	Monitoring
Council	Tax-raising or government-backed, no individual assessment required	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	As part of requirement for a bond including its relevant coverage and amount	Periodically, for instance updating bond requirements

C7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results (as expected) 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 results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the Council makes up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The fund's specific policies in this area are covered in its Investment Strategy Statement.

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns												
		Fixed Interest Gilts (long)	UK Equity	Property	Emerging Markets Equity	Listed Infrastructure Equity	Diversified Growth Fund (high equity beta)	Diversified Growth Fund (medium equity beta)	Developed World Equity	Multi Asset Credit (sub inv grade)	Global High Yield Debt	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	-1.5%	-0.4%	-0.6%	-2.5%	-1.1%	1.1%	1.4%	-0.6%	1.7%	0.6%	1.6%	-1.7%	1.1%
	50th %'ile	0.7%	5.7%	4.4%	5.8%	4.9%	5.4%	4.3%	5.6%	3.5%	3.4%	3.3%	-0.5%	2.5%
	84th %'ile	2.8%	11.6%	9.5%	14.4%	10.9%	9.5%	7.1%	11.6%	5.2%	5.8%	4.9%	0.7%	4.3%
20 years	16th %'ile	-0.2%	1.7%	1.4%	0.1%	1.2%	2.8%	2.5%	1.6%	2.8%	2.1%	1.2%	-0.7%	1.3%
	50th %'ile	0.9%	6.2%	5.0%	6.3%	5.6%	6.0%	4.9%	6.1%	4.4%	4.2%	2.7%	1.1%	3.2%
	84th %'ile	2.0%	10.6%	8.9%	12.8%	10.1%	9.4%	7.4%	10.8%	6.0%	6.4%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.2%	3.2%	2.6%	2.1%	2.6%	4.0%	3.3%	3.2%	3.6%	3.1%	0.9%	-0.6%	1.1%
	50th %'ile	1.9%	6.7%	5.5%	6.8%	6.1%	6.6%	5.5%	6.6%	5.3%	5.1%	2.2%	1.3%	3.3%
	84th %'ile	2.8%	10.2%	8.8%	11.7%	9.8%	9.4%	7.9%	10.2%	7.1%	7.2%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	8%	18%	15%	26%	18%	13%	8%	18%	6%	8%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy. The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate. Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	1.8%
Low-risk exit basis	Community admission bodies closed to new entrants	0.0%
Contractor exit basis	Transferee admission bodies	Consistent with the margin used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.3% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 70% likelihood that the fund's assets will future investment returns of 4.3% p.a. over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.3% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by
+0.5% to reflect the difference between the population-wide data used in the CMI and

LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long- term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

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Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.17	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.2	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.24	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0.00	11.83	8.87	0.00	0.00

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund? Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin consistent with that set to allocate assets to the employer on joining the fund.

d. Investment Strategy Statement

Investment Strategy Statement

1. 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 Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension 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 on 4 October 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. 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 dated February 2023.

The Committee has agreed the following long-term target investment strategy for the Fund. It will be necessary for the Fund to allow time for these arrangements to take effect, hence the interim target allocation shown below.

Asset class	Interim target allocation (%)	Long-term target allocation (%)
Global equities	40.0	40.0
UK equities	5.0	5.0
Emerging markets equities	5.0	5.0
Private equity	2.5	-
Total Growth	**52.5**	**50.0**
Property	2.5	10.0
Infrastructure	5.0	15.0
Private debt	5.0	5.0
Diversified growth	20.0	5.0
Total Income	**32.5**	**35.0**
Multi-asset credit	5.0	5.0

Government gilts	10.0	10.0
Total Protection	**15.0**	**15.0**
Total	**100.0**	**100.0**

2. The suitability of particular investments and types of investments

The primary objective of the Fund 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 triennial actuarial valuation, or more frequently as required.

The Committee aims to fund 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 is agreed by the employer 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 Committee has translated its objectives into a suitable 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.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

In 2023, the Fund carried out an asset-liability modelling exercise in conjunction with the 2022 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of alternative investment strategies were assessed. The implications for the future evolution of the Fund were considered under a wide range of different scenarios.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (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 assessed the likelihood of achieving their long-term funding target – which was defined at that time as achieving and maintaining a fully funded position in 20 years' time.

A summary of the expected returns and volatility for each asset class is included later in this statement. In addition, 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
- Environmental, Social and Governance (ESG) factors

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, accepting that given the nature of some of the underlying investments, it may take the Fund time to move towards the target allocation.

The Committee reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Committee and is only made between the Fund's liquid assets. Among the factors taken into account by the Committee in its decisions are:

the materiality of under and overweight positions;

any asset transitions that are already scheduled;

market views on the relative attractiveness of different asset classes;

liquidity and transaction costs; and

the confidence of the Committee in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

To help inform rebalancing decisions, the Committee has set the following upper limits to inform rebalancing:

Asset class	Interim target allocation (%)	Long-term target allocation (%)	Upper limit for rebalancing (%)
Listed equities	50.0	50.0	60.0
Diversified Growth	20.0	5.0	25.0
Multi-asset credit	5.0	5.0	10.0
Government gilts	10.0	10.0	15.0
Cash	0.0	0.0	5.0

3. Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities 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.

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 security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out on page 125. 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.

The latest investment strategy review took place in February 2023. At this time the Committee agreed to maintain the current long-term strategic allocation that was agreed following the 2019 actuarial valuation.

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 existing 20% target allocation to Diversified Growth Funds, which will be monitored and regularly assessed in in anticipation of its longer-term reduction in size.

The long-term asset class returns assumed within the asset-liability modelling exercise were as follows. These returns reflect financial conditions as at 31 March 2022.

Asset class	Median expected return[1] over 20 years (% p.a.)
UK equities	6.2%
Global equities	6.3%
Emerging markets equities	6.3%
Property	5.0%
Infrastructure	6.5%
Private debt	9.8%
Diversified growth funds	4.9%
Multi-asset credit	6.7%
Government gilts	4.4%
Total Fund	6.0%

At 31 March 2022, the expected volatility[2] of the investment strategy over 1 year was 13.1%. This volatility includes an assumed diversification benefit. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. 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.

[1] This indicates that over a 20 year period, there is a 50% chance that the actual annualised return will be higher, and a 50% chance that the actual annualised return will be lower, than the median expected return.

[2] A volatility of 13.1% indicates that over 1 year there is a 2/3rds chance that the actual return over this period will be within +/- 13.1% of the expected return assessed over the same 1 year period.

Types of investment	Maximum investment by the Fund (% of assets)
Contributions in any single partnership	5%
Contributions invested in partnerships	30%
Cash deposits	10%
Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index-tracking strategies	15%
Total investment in illiquid assets[3]	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 manager of the index-tracking funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

4. The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

Key funding risks considered include:

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.

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.

[3] This represents a maximum at the point of investment. The impact of market volatility will be assessed separately.

- As indicated above, the Committee has set a 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 results from the analysis carried out in 2023 highlighted the Fund has a greater than 75% probability of being fully funded in 2041. The downside risk measure shows that the funding level in the average of the worst 5% of outcomes projected to 2028 is 38%. This analysis reflects the current investment strategy and level of agreed contributions and is based on financial conditions as at 31 March 2022. This analysis will be revisited as part of the 2025 valuation process.

- 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 these can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risk

Market risk – The risk that the market value of the Fund's assets falls.

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.

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.

Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place re-balancing arrangements to ensure 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, as well as property, the Committee has recognised the need for access to liquidity in the short term.

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. Details of the Fund's approach to managing ESG risks is set out later in this document.

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 proportion of the Scheme'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 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.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

5. Approach to pooling investments, including use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") will operate was set out in the July 2016 submission to Government.

Assets to be invested in the London CIV Pool

The Fund's intention is to invest its assets through the Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has already invested the following assets via the Pool. Note this includes investments in index-tracking equity funds with BlackRock and LGIM, which are commonly regarded as pooled assets even though they sit outside of the Pool.

Asset class	Manager	% of total Fund assets[4]
Global equities (index-tracking)	LGIM	43.7
Global equities (index-tracking)	BlackRock	2.5
UK equities (index-tracking)	LGIM	6.3
Emerging market equities	LCIV (JP Morgan)	3.9
Diversified Growth	LCIV (Baillie Gifford)	11.1
Diversified Growth	LCIV (Ruffer)	8.8
Infrastructure	LCIV multi-manager	3.3
Private debt	LCIV multi-manager	3.1
Multi-asset credit	LCIV multi-manager	3.7
Gilts	BlackRock	4.9
Total		91.3

At the time of preparing this statement the Fund has elected not to invest the following assets via the London CIV Pool.

Asset class	Manager	% of Fund assets[5]	Reason for not investing via the Pool
Private equity	Capital Dynamics	2.2	In wind down
Infrastructure	Capital Dynamics	0.2	In wind down
Infrastructure	Alinda	1.5	In wind down
Property	Fidelity	1.2	No equivalent fund available via the Pool
Property	UBS	1.0	No equivalent fund available via the Pool
Total		6.1	

[4] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations shown are subject to rounding.
[5] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations are subject to rounding.

The Fund will consider participating in pooling arrangements for the current and/or future property investment investments if a suitable solution is made available by the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2026.

Structure and governance of the London CIV Pool

The July 2016 submission to Government of the 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. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS. In the meantime, further information is provided on the London CIV's website (https://londonciv.org.uk/).

6. 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 within the London CIV and this percentage is expected to grow over time.

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 London 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 is preferable to divestment
- 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

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

The Fund's investment 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.

7. The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee considers the Fund's approach to stewardship also as a key area by acting as a responsible and active investor, by commissioning considered voting on the Fund's behalf as shareholders, and by indirectly engaging with investee company management as part of the investment process.

The Committee has delegated the exercise of voting rights to the investment managers 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 a regular basis.

Engagement

The Committee endorses the Stewardship Code as published by the Financial Reporting Council.

The Committee expects both the London CIV and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and 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.

The Committee supports engagement activity that seeks to:

Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment

Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy

Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

Investments made via the London Pool are subject to its Responsible Investment Policy, which is developed in consultation with all of the Pool's partner funds.

For and on behalf of London Borough of Brent Pension Fund Committee

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. There preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV's investment offering.

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.

LONDON BOROUGH OF BRENT PENSION FUND

MEMBER COMMUNICATIONS STRATEGY

2023

1. Introduction

This document sets out the communication policy for the London Borough of Brent Pension Fund ("the Fund") and is subject to review every three years or following a material change in policy.

This communication policy is designed to ensure that all key stakeholders are kept informed of developments within the Pension Fund and through the appropriate medium. The aim being to ensure an effective communication process is in place to help maintain the efficient and effective running of the Scheme and deliver better stakeholder and customer outcomes.

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. LPPA is committed to improving accessibility across its online platform and conforms to Level AA of Web Content Accessibility Guidelines.

2. 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 PensionPoint.

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 LPPA to ensure communications are relevant and timely

Action	Audience	Media	End of Year Review 2023
Review and update the pension website Pensions Website	All	Web	
Review and update the pension website Pensions Website	All	Web	
Promote PensionPoint	Active and Deferred	Web	
Explore the development of PensionPoint –self-service for pensioner members	Active and Deferred	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
Pensions Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Default distribution via website, members can opt out of paperless communications	All
Forms	Web or paper	As required	Available to download or post to home address	All

Annual Benefit Statement	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 intranet	Active and deferred
Road shows/ Workshops	Face to face	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1st 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 the Pensions website	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. Published annually	For viewing as required.	All

Explanation of communications

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters, reports and accounts), factsheets, links to related sites including PensionPoint and contact information. We continue to review and develop this site in partnership with LPPA.

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 - Pensions Increase newsletters are sent annually in April 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 – Members can opt out of the online service and elect to receive a paper copy sent to their home address.
Active members receive their statements in August. These include the current value of benefits as well as the projected benefits to their normal retirement date. Associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant.
Deferred members receive their statements at the end of April. 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.

Pensioner pay slips – 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 Team.

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.

3. 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 LPPA administration team

Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media	End of Year Review 2023
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	

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Web	On commencing employment	Via employers	New employees
Pensions 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 PensionPoint 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.

4. 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

Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of PensionPoint, the LPP's online submission portal
- on-going promotion of the employer section of the Brent pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2023
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face/ Online	
Review and update the pension website	Employer	Web	
Work with LPPA and Scheme employers to implement PensionPoint.	Employer	Web	
Work with LPPA and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	Electronic	Annually	By email	All
Pensions Website	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

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 LPPA.

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.

5. 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

Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	Audience	Media	End of Year Review 2023
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	
To arrange required training as and when required	Pensions Committee Members	Face to Face/ Online	

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	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 all Committee meetings and provide a verbal briefing on each 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

Key actions will be:

- to submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

Action	Audience	Media	End of Year Review 2023
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	

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 website	Local Pension Board
Local Pension Board Briefings	Face to face	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	Before each board meeting. Continual self-development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board

Explanation of communications

Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

6. 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 Administration
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.

7. Member Contacts

Member Contacts - for general administrative queries:

Brent Pensions
LPPA
PO Box 1383
Preston
PR2 0WR

Telephone: 0300 323 0260
Member contact form

Employer Contacts – for queries on employer set up with LPPA:

Email: engagment@localpensionspartnership.org.uk
Telephone: 0300 323 0260
Employer contact form

London Borough of Brent Contact

Anna McCormack
Senior Pensions Officer
Brent Pensions
Brent Civic Centre
Engineers Way
Wembley. HA9 0FJ

Email: pensions@brent.gov.uk
Telephone: 020 8937 3190

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

The Audit Findings Report for Brent Pension Fund

Year ended 31 March 2023

September Month 2023

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Your key Grant Thornton team members are:

Ciaran McLaughlin
Key Audit Partner
E Ciaran.T.Mclaughlin@uk.gt.com

Sheena S Phillips
Senior Manager
E Sheena.S.Phillips@uk.gt.com

Aleksandra Liutina
Audit In-Charge
E Aleksandra.Liutina@uk.gt.com

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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.

This Audit Findings 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. Its contents will be discussed with management and the Audit and Standards Committee.

[Insert Key Audit Partner Signature]

Name: Ciaran Mclaughlin
For Grant Thornton UK LLP
Date: 19 September 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Brent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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 transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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 remotely during July-September. Our findings are summarised on pages 5 to 19. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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;

- Receipt of outstanding confirmation for Investment, Cash and Contingent liability
- Clearance of review notes on Benefits payable
- Review of financial instruments, key management personnel and triennial valuation
- Receipt of response to our query on IAS 19 work
- Receipt and review of the Annual report
- Subsequent event confirmation
- Receipt of management representation letter ; and
- Review of the final set of financial statements

Our anticipated opinion on the financial statements will be unmodified

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. As documented above we have not received the Annual Report.

Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2023 and therefore this report has not yet been produced. The Pension Fund aims to provide us with the annual report before we issue our audit opinion. If they do, we propose to issue our 'consistency' opinion on the Pension Funds Annual Report . We are unable to certify completion of the audit of the administering authority until this work has been completed and objections raised on the administration authority's accounts have been resolved.

As a result of the Annual Report not being ready yet we will not be able to issue the completion certificate at this time.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to provide responses to our audit queries in a timely manner. The Pension Fund team worked constructively with the audit team to ensure that audit queries were resolved on time in most cases. There was clear and open communication between the audit team and the Pension Fund Officers which ensured that the audit process went smoothly most of the time.

There was a new pension administration system change from Altaire to Civica which management did not make us aware of until we started the audit. As such we did not factor the audit work on new system implementation into our budget. We experienced delays with obtaining information which we requested for our audit work on the new system transfer from the Local Pensions Partnership Administration (LPPA). There were also delays with getting evidence for the samples which we selected for our triennial valuation test and IAS 19 test.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hyman Robertson, and showed that the

Fund's assets, as at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. The present value of promised retirement benefits) accrued up to that date. This was a significant increase on the 78% funding level as at the March 2019 valuation. Following the 2022 triennial valuation, the Employer's contributions for the period to 31 March 2024 are estimated to be approximately £41.6m. The deficit recovery period is 20 years. Contributions will remain at 33.5% of pensionable pay in 2023/24. The results of the latest triennial valuation are reflected in note 35 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample 25. We identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as it the data might have been archived. We did not identify any issues apart from the two issues identified from our testing. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

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.

For Brent Pension Fund, the Audit and Standards Committee fulfil the role of those charged with governance. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

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 as detailed on page 3, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 26 September 2023.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the pension fund team and other staff. During the audit, both your pension fund team and our audit team faced audit challenges again this year, such as remote access working arrangements i.e. remote accessing financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the entity, cover for sickness absence and access to key data from Pension Fund staff .

As documented on page 4, we were not aware of the system change until we started the final accounts audit and such the work in relation to the new system implementation was not budgeted for and factored into our fees. We also experienced delays in obtaining evidence for the testing of triennial valuation and IAS 19 data as summarised on page 34

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.

Materiality levels remain the same as reported in our audit plan on 18 July 2023

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	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,800,000	This represents 1.5% of net assets
Performance materiality	12,600,000	This represents 75% of materiality for financial statements
Trivial matters	840,000	This is 5% of overall financial statement materiality.
Materiality for fund account	4,700,00	This represents 8% of total gross expenditure.

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 over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading 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: • evaluated the design effectiveness of management controls over journals. • analysed the journals listing and determined the criteria for selecting high risk unusual journals. • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence. • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person. The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. We have recorded this as a control point on the action plan at appendix B. Our work on journals is complete. Apart from the point raised above, our work has not identified any issues in respect of management override of controls.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
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: £101.3m) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31March 2023. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We have: • evaluated management's processes for valuing Level 3 investments. • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met. • Independently request year-end confirmations from investment managers and the custodian (Northern Trust). • tested the valuation of a sample of investments by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. We have reconciled those values to the values at 31 March 2023 with reference to known movements in the intervening period. • evaluated the completeness, capabilities and objectivity of the valuation expert in the absence of available audited accounts. • reviewed investment manager service auditor report on design and operating effectiveness of internal controls where available. Our work on level 3 investments is in progress. Our work to date has not identified any issues which we need to bring to the attention of the Audit and Standards Committee.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
The implementation of the Pensions Administration System In November 2022, Brent Pension Fund moved its Pensions Administration function from the Altair System to the UPM System. As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end. The system change impacts benefits payable and contributions which are material balances in the accounts as they are contributed by members. Thus, we have identified a significant risk in this area over the completeness and accuracy of the transfer between the systems.	We have • obtained an understanding of the processes and controls put in place by management to ensure the completeness and accuracy of the transfer of data between the old and new Pensions Administration System; • reviewed the checks undertaken by management over the data transfer to assure themselves over the completeness and accuracy of the transfer; • Carried out testing to check that all members have been correctly transferred from Altair to Civica Our audit work has not identified any issues in respect of the implementation of the new pensions administration system.

2. Financial Statements: Other risks

Risks identified	Commentary
Local Government Pension Scheme triennial valuation Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain an actuarial valuation of the fund's assets and liabilities every three years. Triennial funding valuation reports as at 31 March 2022 were required to be obtained by 31 March 2023. The LGPS is a complex pension scheme with numerous participants, investment portfolios, and various financial and actuarial assumptions. The valuation process involves assessing the fund's assets and liabilities, projecting future cash flows, and making assumptions about investment returns, inflation rates, life expectancies, and other variables.	We have: • reviewed the methods used to calculate the estimate, including the models used • reviewed the actuarial reports and assessed the reasonableness of the assumptions made in the reports. • performed tests on the accuracy and completeness of the data used in the valuation process. This included examining source documents and reconciling data to supporting records. • evaluated the adequacy and accuracy of the disclosures related to the LGPS triennial valuation within the financial statements. From our testing of 25 samples, we identified one deferred sample whose status on the system showed as 'preserved refund' instead of deferred. There was 1 dependent sample which the pension fund could not find the original record with name of the spouse for whom the dependant claim was based on as the data might have been archived. Our work on triennial valuation is complete subject to review. Apart from the points noted above, our audit work has not identified any issues in respect of Local Government Pension Scheme triennial valuation

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2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies The IT audit team have carried out a design and implementation effectiveness controls review over the Council's IT environment for Oracle Cloud to support the financial statement audit of the London Borough of Brent and its subsidiaries for year ended 31 March 2023. The overall rating was significant deficiencies in the in the IT controls relevant to the financial statements.	The IT Audit team have; • evaluated the design and implementation effectiveness for security management, change management and batch scheduling controls; • performed high level walkthroughs, inspected supporting documentation and analysed configurable controls in the above areas; • completed a detailed technical review of Oracle Cloud as relevant to the financial statements audit; and • documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary. The IT audit work identified 2 significant deficiencies, 1 deficiency and 1 improvement opportunity . The significant deficiencies identified are: • segregation of duties conflicts between finance / payroll and system administration roles in Oracle Cloud. • Excessive access assigned to HR and Payroll users. We have detailed the findings from the IT audit and recommendations made by the IT audit team on the action plan at appendix B.	We have considered the findings by the IT audit team and factored procedures in our journal testing to check if any of the deficiencies identified has any impact on the audit. We did not identify any issues which showed that the IT deficiencies have any impact on journals posted or on the financial statements. Management has provided responses to the recommendations made by the IT audit team for each of the deficiencies. We have recorded the management responses against the control points which we have raised for the deficiencies on the action plan at Appendix C

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £115.7m	The Pension Fund has Level 3 investments in private equity, infrastructure and private debt which in total are valued on the net assets statement as at 31 March 2023 at £115.7m. The management has flagged estimation uncertainty in relation to private equity/infrastructure/private debt investments in that there is a risk that this investment may be under- or overstated in the accounts. This is because such investments are valued on the latest available information, as the exact value of the investment as of 31st of March 2023 might not yet be available at the time of the compilation of the accounts. The management therefore uses the custodian as their expert, as Northern Trust will adjust the fund managers' valuations to account for cash-flows in the intervening period. 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 uses the custodian report provided at the year-end by Northern Trust. The investment valuations are supported by audited accounts. Service auditor reports were also obtained and considered as part of our testing. The value of the investment has increased by £14.4m in 2022/23.	From the procedures undertaken, we have • deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • assessed management's expert (the fund managers and the custodian which is Northern Trust) • obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. • checked the completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • reviewed the results of service auditor reports • checked the reasonableness of the increase in level 3 investments • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Level 3 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

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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 – £972.9m	The Pension Fund has Level 2 pooled investments and pooled property investments which in total are valued on the net assets statement as at 31 March 2023 at £972.9m. Management has not flagged any estimation uncertainty in relation to Level 2 investments. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. The Pension Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated. The value of the investment has decreased by £29.4m in 2022/23.	From the procedures undertaken, we have • deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. • assessed management's expert (the fund managers and the custodian which is Northern Trust) • obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. • checked the completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • reviewed the results of service auditor reports • checked the reasonableness of the increase in level 3 investments • checked the adequacy of disclosure of estimate in the financial statements. Our work in relation to this key estimate – Valuation of Level 2 investments is nearing completion, at this stage, we have nothing to bring to the attention of the Audit and Standards Committee regarding this estimate.	TBC

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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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle	ITGC assessment (design and implementation effectiveness only)	🔴	🔴	TBC	TBC	Management Override of Control	We have carried out targeted test as part of journal testing to address the risks identified.

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: Information Technology

We also performed specific procedures in relation to the significant event during the audit period, specifically the new system implementation

IT system	Event	Result	Related significant risks/ risk/observations
Altair and Civica UPM	New system implementation	Our testing to date has not identified any significant deficiency. We checked the reconciliation carried out during the system implementation to ensure that membership ship data was correctly transferred from Altair to Civica. Our testing has not highlighted any issues.	**The implementation of the Pensions Administration System** As ever with a system transfer, there is a risk over the completeness and accuracy of balances transferred between the systems and ensuring this correctly feeds the accounts at year end. Our sample testing of individual member data transferred from Altaire to Civica confirmed that the data for each sample was correctly transferred. Our testing did not identify any differences between the two systems for membership numbers.

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

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.

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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 , which is included in the Audit and Standards Committee papers Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for Level 3 and level 2 investments
Audit evidence and explanations	All information and explanations requested from management was provided. We experienced delays with: • obtaining information from LPPA to carry out our audit work on the new system transfer • getting evidence for the samples which we selected for our triennial valuation testing and IAS 19 test.

2. Financial Statements: other communication requirements

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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to fund managers. This permission was granted, and the requests were sent. We have received all requests other than confirmation from Alinda for level 3 investments and confirmation from Natwest for level 1 investments. We requested management to send letters to those solicitors who worked with the Pension Fund during the year. As at 19 September a reply has only been received from all other than the following solicitors; • Bevan Brittan • Ashfords • Judge Priestley We have requested management to follow up the outstanding responses.
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

2. Financial Statements: other communication requirements

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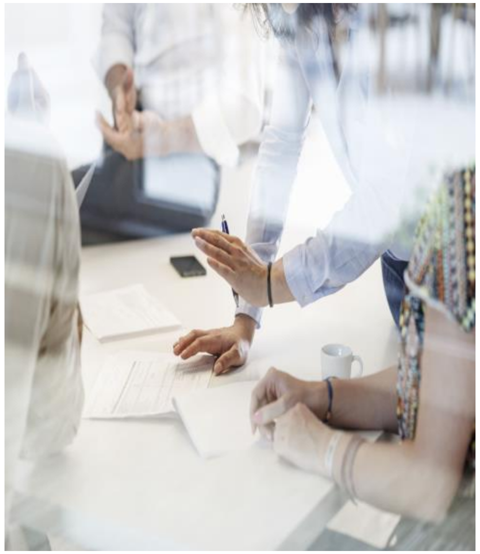
Our responsibility

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).

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
Other information	The Pension Fund is administered by the London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. This work is outstanding.
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 have not received the annual report from the pension fund yet, however the pension fund intends to provide us with the annual report before we issue our opinion. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report if the Pension fund provides us with the annual report before we issue our audit opinion. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters



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 and consider that an objective reasonable and informed third party would take the same view. 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 E.

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 Grant Thornton International Transparency report 2023.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 6 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 2023/24 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	From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension. Risk Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to.	Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners . **Management response** The pension fund regularly reviews it's data and will consider what steps it can take to address this finding.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**Excessive access assigned to HR and Payroll users.** IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role The Council informed our IT team that the role is required to enable system configuration to be undertaken as part of this team, such as for pay awards and performance enrolments. The Brent HCM Application Administrator role provides these individuals with significant levels of access, enabling them to alter system behaviour and create workers in Oracle Cloud **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 Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required. **Management response** The Brent HCM Application Administrator role has now been removed from the Payroll, Learning and Development, and Training teams and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities
High	**Segregation of duties (SoD) conflicts between finance / payroll and system administration roles in Oracle Cloud.** IT Audit's identified that a Senior Finance Analyst had access to the Application Implementation Consultant role **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 Council 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 **Management response** This was removed and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Seeded roles with SoD conflicts** IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security - FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV - FND_APP_MANAGE_PROFILE_OPTION_PRIV - FND_APP_MANAGE_PROFILE_CATEGORY_PRIV - FND_APP_MANAGE_TAXONOMY_PRIV - FND_APP_MANAGE_DATABASE_RESOURCE_PRIV **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 Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour **Management response** We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person. The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. **Risk** This finding indicates that there is currently nothing in the system to prevent journals being posted with an identical journal number (lack of preventative controls), which increases the risk of error occurring and can result in journal duplications.	Management should put in place a control/ procedure/checks which will prevent more than one journal from being posted with the same journal number. **Management response** Management will look to ensure that all staff are aware of the procedures to make sure this is not repeated.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**Lack of audit logging for configurations in Oracle Cloud** IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table. **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 changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to: • Accounts Payable • Cash Management • Accounts Receivable and • General Ledger It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS **Management response** Audit logging has been reviewed across all financially critical areas and has been found to be sufficient

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Brent Pension Fund's 2021/22 financial statements, which resulted in 4 recommendations being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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.	**Privileged Oracle Cloud user rights and Oracle Cloud segregation of duties:** - Four Quarterly user access reviews performed, by Oracle Cloud Applications Support, findings are recorded on SharePoint and is a manual process. - Only the Oracle Support Team & SI support have the privileges to develop and makes changes in Oracle cloud, this follows the governance in place which also includes approval at the Oracle CAB for deployment into production.

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Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**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.	- Single sign-on is currently in place and uses the users Brent email address as the bridge between Oracle and Active Directory as the authentication.
✓	**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.	Change requests are logged via Hornbill following the governance model in place. - Changes to Oracle Cloud are first conducted in SIT by the SI, then replicated in DEV4 for testing before being taken to CAB and deployed in PROD. - Change are taken to the Oracle Cloud CAB for approval each week, with emergency ones held as and when needed. Oracle CAB includes business leads as well as Oracle Cloud leads.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**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.	Access to modify financially significant scheduled jobs is restricted to the Oracle Cloud Applications Support Team - Any changes to financially significant scheduled jobs are managed and recorded via Hornbill. - This operation is carried out daily by the OCAS team identifying exceptions and controls are in place.

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Assessment

✓ Action completed

X Not yet addressed

D. 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.

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/issue/Omission	Auditor recommendations	Adjusted?
The audit fees for 2021/22 were incorrectly disclosed in the draft accounts at £33k instead £38k.	The management fees for 21/22 need to updated to the correct amount **Management response** Final set of accounts will be updated.	✓

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D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
From our testing of employee contributions, there was one sample which the Pension fund could not provide evidence to support the contribution amount. The sample in question relates to a school employee . Since we could not verify that that the contribution amount of £53.7 is accurate and relates to the correct year , we treated this sample as an error and extrapolated it. The extrapolated error is £305k. We have treated this error as an overstatement of contribution				The Pension Fund has not adjusted the error as it is an extrapolated error and it is below PM
Dr Employees Contribution	305			
Cr Current Liabilities		-305	-305	
Overall impact	£305	-£305	£305	

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Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
During the testing of contributions paid by admitted bodies, we identified an error where the pension fund overstated the pension paid by an admitted bod by £1,691. We extrapolated the error to £2,640k				The Pension Fund did not adjust it as it was not a factual error.
Dr Contribution	2,640			
Cr current Liabilities		-2,640		
Overall impact	£2,640	£2,640	£0	

E. Fees and non-audit services

We confirm below our proposed fees charged for the audit. There were no fees for the provision of non-audit services.

Audit fees	Proposed fee
Scale fee	£22,420
Investment Valuation	£6,351
Additional audit procedures arising from a lower materiality	£6,575
Increased audit requirements of revised ISA 540	£3,500
Journals	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
ISA 315	£3,000
New System Implementation work	£6,500
Hot Review	£2,500
Work on triennial valuation member data	£5,000
Total audit fees (excluding VAT)	**£51,771**

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

E. Fees and non-audit services

There are no non-audit or audited related services have been undertaken for the Pension Fund

The proposed fees reconcile to the financial statements as shown below

fees per financial statements	£37,771
• New System Implementation work	£6,500
• Hot Review	£2,500
• Work on triennial valuation member data	£5,000
• total fees per above	£51,771

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

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Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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Investment Strategy Statement

1. 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 Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension 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 on 4 October 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. 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 dated February 2023.

The Committee has agreed the following long-term target investment strategy for the Fund. It will be necessary for the Fund to allow time for these arrangements to take effect, hence the interim target allocation shown below.

Asset class	Interim target allocation (%)	Long-term target allocation (%)
Global equities	40.0	40.0
UK equities	5.0	5.0
Emerging markets equities	5.0	5.0
Private equity	2.5	-
Total Growth	**52.5**	**50.0**
Property	2.5	10.0
Infrastructure	5.0	15.0
Private debt	5.0	5.0
Diversified growth	20.0	5.0
Total Income	**32.5**	**35.0**
Multi-asset credit	5.0	5.0
Government gilts	10.0	10.0
Total Protection	**15.0**	**15.0**
Total	**100.0**	**100.0**

2. The suitability of particular investments and types of investments

The primary objective of the Fund 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 triennial actuarial valuation, or more frequently as required.

The Committee aims to fund 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 is agreed by the employer 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 Committee has translated its objectives into a suitable 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.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

In 2023, the Fund carried out an asset-liability modelling exercise in conjunction with the 2022 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of alternative investment strategies were assessed. The implications for the future evolution of the Fund were considered under a wide range of different scenarios.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (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 assessed the likelihood of achieving their long-term funding target – which was defined at that time as achieving and maintaining a fully funded position in 20 years' time.

A summary of the expected returns and volatility for each asset class is included later in this statement. In addition, 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
- Environmental, Social and Governance (ESG) factors

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, accepting that given the nature of some of the underlying investments, it may take the Fund time to move towards the target allocation.

The Committee reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Committee and is only made between the Fund's liquid assets. Among the factors taken into account by the Committee in its decisions are:

- the materiality of under and overweight positions;

- any asset transitions that are already scheduled;
- market views on the relative attractiveness of different asset classes;
- liquidity and transaction costs; and
- the confidence of the Committee in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

To help inform rebalancing decisions, the Committee has set the following upper limits to inform rebalancing:

Asset class	Interim target allocation (%)	Long-term target allocation (%)	Upper limit for rebalancing (%)
Listed equities	50.0	50.0	60.0
Diversified Growth	20.0	5.0	25.0
Multi-asset credit	5.0	5.0	10.0
Government gilts	10.0	10.0	15.0
Cash	0.0	0.0	5.0

3. Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities 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.

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 security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out on page 1. 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.

The latest investment strategy review took place in February 2023. At this time the Committee agreed to maintain the current long-term strategic allocation that was agreed following the 2019 actuarial valuation.

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 existing 20% target allocation to Diversified Growth Funds, which will be monitored and regularly assessed in in anticipation of its longer-term reduction in size.

The long-term asset class returns assumed within the asset-liability modelling exercise were as follows. These returns reflect financial conditions as at 31 March 2022.

Asset class	Median expected return[1] over 20 years (% p.a.)
UK equities	6.2%
Global equities	6.3%
Emerging markets equities	6.3%
Property	5.0%
Infrastructure	6.5%
Private debt	9.8%
Diversified growth funds	4.9%
Multi-asset credit	6.7%
Government gilts	4.4%
Total Fund	6.0%

At 31 March 2022, the expected volatility[2] of the investment strategy over 1 year was 13.1%. This volatility includes an assumed diversification benefit. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. 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.

Types of investment	Maximum investment by the Fund (% of assets)
Contributions in any single partnership	5%
Contributions invested in partnerships	30%
Cash deposits	10%
Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index-tracking strategies	15%
Total investment in illiquid assets[3]	30%

[1] This indicates that over a 20 year period, there is a 50% chance that the actual annualised return will be higher, and a 50% chance that the actual annualised return will be lower, than the median expected return.
[2] A volatility of 13.1% indicates that over 1 year there is a 2/3rds chance that the actual return over this period will be within +/- 13.1% of the expected return assessed over the same 1 year period.
[3] This represents a maximum at the point of investment. The impact of market volatility will be assessed separately.

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 manager of the index-tracking funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

4. The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

Key funding risks considered include:

- 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.
- 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 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 results from the analysis carried out in 2023 highlighted the Fund has a greater than 75% probability of being fully funded in 2041. The downside risk measure shows that the funding level in the average of the worst 5% of outcomes projected to 2028 is 38%. This analysis reflects the current investment strategy and level of agreed contributions and is based on financial conditions as at 31 March 2022. This analysis will be revisited as part of the 2025 valuation process.

- 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 these can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risk

- Market risk – The risk that the market value of the Fund's assets falls.
- 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.
- 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.
- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.
- Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place re-balancing arrangements to ensure 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, as well as property, the Committee has recognised the need for access to liquidity in the short term.

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. Details of the Fund's approach to managing ESG risks is set out later in this document.

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 proportion of the Scheme'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 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.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

5. Approach to pooling investments, including use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") will operate was set out in the July 2016 submission to Government.

Assets to be invested in the London CIV Pool

The Fund's intention is to invest its assets through the Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. They key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has already invested the following assets via the Pool. Note this includes investments in index-tracking equity funds with BlackRock and LGIM, which are commonly regarded as pooled assets even though they sit outside of the Pool.

Asset class	Manager	% of total Fund assets[4]
Global equities (index-tracking)	LGIM	43.7
Global equities (index-tracking)	BlackRock	2.5
UK equities (index-tracking)	LGIM	6.3
Emerging market equities	LCIV (JP Morgan)	3.9
Diversified Growth	LCIV (Baillie Gifford)	11.1
Diversified Growth	LCIV (Ruffer)	8.8
Infrastructure	LCIV multi-manager	3.3
Private debt	LCIV multi-manager	3.1
Multi-asset credit	LCIV multi-manager	3.7
Gilts	BlackRock	4.9

[4] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations shown are subject to rounding.

Total	91.3

At the time of preparing this statement the Fund has elected not to invest the following assets via the London CIV Pool.

Asset class	Manager	% of Fund assets[5]	Reason for not investing via the Pool
Private equity	Capital Dynamics	2.2	In wind down
Infrastructure	Capital Dynamics	0.2	In wind down
Infrastructure	Alinda	1.5	In wind down
Property	Fidelity	1.2	No equivalent fund available via the Pool
Property	UBS	1.0	No equivalent fund available via the Pool
Total		6.1	

The Fund will consider participating in pooling arrangements for the current and/or future property investment investments if a suitable solution is made available by the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2026.

Structure and governance of the London CIV Pool
The July 2016 submission to Government of the 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. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS. In the meantime, further information is provided on the London CIV's website (https://londonciv.org.uk/).

6. 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

[5] Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations are subject to rounding.

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 within the London CIV and this percentage is expected to grow over time.

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 London 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 is preferable to divestment
- 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

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

The Fund's investment 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.

7. The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee considers the Fund's approach to stewardship also as a key area by acting as a responsible and active investor, by commissioning considered voting on the Fund's behalf as shareholders, and by indirectly engaging with investee company management as part of the investment process.

The Committee has delegated the exercise of voting rights to the investment managers 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 a regular basis.

Engagement

The Committee endorses the Stewardship Code as published by the Financial Reporting Council.

The Committee expects both the London CIV and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and 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.

The Committee supports engagement activity that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment
- Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy

- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

Further details are set out in the Fund's Responsible Investment Policy which can be found here.

Investments made via the London Pool are subject to its Responsible Investment Policy, which is developed in consultation with all of the Pool's partner funds.

For and on behalf of London Borough of Brent Pension Fund Committee

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. There preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV's investment offering.

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.

Brent	**Brent Pension Fund Sub-Committee** 04 October 2023
	Report from the Corporate Director of Finance and Resources

DLUHC Consultation on LGPS Investments

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)"
List of Appendices:	One: Appendix 1 - Hymans Robertson Consultation Response (Exempt from Publication)
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Pensions sawan.shah@brent.gov.uk 020 8937 1955

1.0 Executive Summary

1.1 The Department for Levelling Up, Housing and Communities (DLUHC) have launched a consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

2.0 Recommendation(s)

2.1 To note the consultation on proposals relating to the investments of the LGPS and the summary included in section 3.2 of this report.

2.2 Officers will prepare a formal response to the consultation on behalf of the Brent Pension Fund before the consultation closes on 02 October, in consultation with the Chair of the Pension Fund Sub-Committee. Members are invited to provide their comments to officers prior to the deadline.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background

3.2.1 The Department for Levelling Up, Housing and Communities (DLUHC) published a consultation on the next steps for LGPS investments on 11 July 2023.

3.2.2 The consultation seeks views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

3.2.3 The proposals, if implemented would have an impact on the roles and responsibilities of LGPS pension funds such as the Brent Pension Fund. The table below provides a summary of the proposals.

Asset Pooling	The government sets out proposals to accelerate and expand pooling. It is proposed to set a deadline for asset transition by March 2025. The government will consider action if progress is not seen, including making use of existing powers to direct funds. It is also proposed to see a transition towards fewer pools to maximise benefits of scale.
Governance and decision making	It is proposed to strengthen existing guidance on delegation of manager selection and strategy implementation. Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. They should be actively advising funds regarding investment decisions, including investment strategies.

	It is proposed that administering authorities set a training policy for committee members and to report regularly on the training undertaken by committee members.
Levelling up	To amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
Investment in private equity	The government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. It is proposed that LGPS funds should complete this consideration of private equity opportunities as part of the regular review of their investment strategy statement, and that the new requirement would be set out in revised guidance on investment strategy statements. However, the Consultation reiterates that the fiduciary duty to set the asset allocation will remain with the administering authorities.
Amendments to the LGPS regulations	To amend regulations to set requirements on funds that use investment consultants in line with the Competition and Markets Authority (CMA) order.
Definition of Investments	It is proposed to make a technical change to the definition of investments within LGPS regulations.

3.2.4 The full consultation is available on DLUHC's website and lasts up to 02 October 2023.[1] The Fund's investment advisors have prepared their draft response to the consultation which is attached in confidential appendix 1.

3.2.5 Officers, in consultation with the Chair of the Pension Fund Sub-committee, will draft a response to consultation. Officers are also in conversations with other London Boroughs via London Pension Officers Forum and with London CIV in formulating a response. Members are invited to provide any thoughts on the consultation to officers who will consider these thoughts as part of our response. The Fund has made the following observations on the key areas of the consultation:

- The Fund supports the pooling of listed assets however we note the proposed deadline of March 2025 will be challenging for some Funds;
- We are concerned that passive or index-tracking solutions will not be classified as 'pooled'. It would be difficult to transfer these assets to investments owned by the pool by the proposed deadline while also incurring significant transaction costs and higher on-going charges;

[1] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/local-government-pension-scheme-england-and-wales-next-steps-on-investments

- We support the requirement to develop training policies and increase the level of training provided to pension committees;
- The Fund supports the definition of levelling up and recognises that LGPS Funds can have a positive impact in this area. Funds should retain responsibility for setting asset allocations therefore any ambitions regarding asset allocations should be guidance rather than a requirement;
- We have concerns around the requirements for publishing plans/reporting and the resource burden this will place on individual funds;
- The Fund does not support the ambition or requirement for private equity given that the fiduciary duty to pay pensions remains with the Fund.

4.0 Stakeholder and ward member consultation and engagement

4.1 There are no direct considerations arising out of this report.

5.0 Financial Considerations

5.1 There are no direct financial considerations arising out of this report.

6.0 Legal Considerations

6.1 There are no legal considerations arising out of this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are no equality considerations arising out of this report.

8.0 Climate Change and Environmental Considerations

8.1 There are no climate change or environmental considerations arising out of this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are no HR or property considerations arising out this report

10.0 Communication Considerations

10.1 There are no communication considerations arising out of this report.

<u>Report sign off:</u>

Minesh Patel
Corporate Director of 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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Brent	**Brent Pension Fund Sub-Committee** 04 October 2023
	Report from the Corporate Director of Finance and Resources

LAPFF Engagement Report

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	One: Appendix 1 - LAPFF Engagement Report Q2 2023
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel, Corporate Director, Finance and Resources minesh.patel@brent.gov.uk 020 8937 4043 Ravinder Jassar, Deputy Director of Finance ravinder.jassar@brent.gov.uk 020 8937 1487 Sawan Shah, Head of Pensions sawan.shah@brent.gov.uk 020 8937 1955 Carlito Rendora, Finance Analyst Carlito.Rendora@brent.gov.uk 020 8937 2681

1.0 Executive Summary

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

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.2 Background of LAPFF

3.2.1 LAPFF (the Local Authority Pension Fund Forum) has 87 members, 6 pools and combined assets exceeding £350bn. With investments widespread in many sectors, LAPFFs aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

3.2.2 Leading the way on issues such as campaigns against excessive executive pay, environmental and human rights campaign, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.

3.2.3 In October 2019, the Pension Fund Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

4.0 Engagements Conducted by LAPFF

4.1.1 The LAPFF policy on confidentiality requires that all company correspondence (letters and meeting notes) remain confidential; however, LAPFF produce a Quarterly Engagement report to give an overview of the work undertaken. A summary of key engagement work has been provided in this report. However, the full report is attached in Appendix 1 and highlights the achievements during the most recent quarter.

4.2 AGM Season

4.2.1 LAPFF attended six AGMs and drafted over 50 climate related shareholders resolutions. LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies.

4.2.2 A voting alert was issued by LAPFF for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a 52 percent of the shareholder vote.

4.2.3 Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the 'Follow This' resolutions at BP and Shell. The resolution received nearly 15 percent support and over 20 percent support respectively.

4.2.4 LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

4.2.5 LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

4.2.6 LAPFF will continue to issue voting alerts throughout the year as appropriate.

Technology Voting Alerts

4.3 LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

4.4 LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

4.5 Report on Visit to Brazil

The report of LAPFF's findings from this visit has now been made public.

4.5.1 The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana dam and Brumadinho dam disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit.

4.5.2 Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently.

4.5.3 There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

4.6 Collaborative Engagements

Toyota – CA100+

4.6.1 This quarter LAPFF signed onto a letter to Toyota which called on the company to align its strategy and lobbying activity within 1.5 degrees of global warming scenario. LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it.

4.6.2 LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

National Grid – CA100+

4.6.3 LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. Detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition. LAPFF's leadership of the group held meetings with the company, giving it the chance to explain its concerns and suggest best practice.

4.6.4 The company has acknowledged some of LAPFF's comments. Shortly before its AGM, the company announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has also publicised a policy proposal for addressing the delays in grid connection which is a welcome development.

4.7 Stakeholder Engagement

OECD Forum on Responsible Supply Chains

4.7.1 LAPFF asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil.

4.7.2 Several participants were impressed with LAPFFs work in the area that they wanted to learn more about LAPFFs experience. LAPFF is continuing to engage with these contacts and others made through them to explore opportunities to develop this work stream further.

Mining Communities and Workers.

4.7.3 LAPFF's aim in meeting the communities affected by mining companies is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

4.7.4 LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale.

4.7.5 LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries.

5.0 Stakeholder and ward member consultation and engagement

5.1 There are no direct considerations arising out of this report.

6.0 Financial Considerations

6.1 There are no direct financial considerations arising out of this report.

7.0 Legal Considerations

7.1 There are no legal considerations arising out of this report.

8.0 Equality, Diversity & Inclusion (EDI) Considerations

8.1 There are no equality considerations arising out of this report.

9.0 Climate Change and Environmental Considerations

9.1 The Brent Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 There are no HR or property considerations arising out this report.

11.0 Communication Considerations

11.1 There are no communication considerations arising out of this report.

<u>Report sign off:</u> ***Minesh Patel*** Corporate Director of Finance and Resources

Quarterly Engagement Report

April-June 2023

Local Authority Pension Fund Forum

AGM Season, LAPFF Brazil Visit Report, Climate Voting Alerts, BP, Shell

UPDATES

AGM Season

LAPFF is always busy during AGM season, and this year was no different. In addition to attending six AGMs (including the US-based Home Depot's meeting) this quarter, LAPFF drafted a record number of voting alerts. These alerts showcased LAPFF's climate voting alert initiative, for which voting alerts were issued on over 50 climate-related shareholder resolutions.

LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies. These recommendations were prompted by another round of shareholder resolutions at US technology companies covering a range of ESG issues. Notably, Amazon faced 16 resolutions this year, with Alphabet and Meta Platforms each facing 10 and 11 respectively. A couple of LAPFF members even co-filed resolutions on freedom of association and collective bargaining.

LAPFF issued a voting alert for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a whopping 52 percent of the shareholder vote. There were a number of shareholder resolutions on this topic at US AGMs this year, and LAPFF anticipates more during the 2024 season.

Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the Follow This resolutions at BP and Shell. The resolution received nearly 15 percent support at BP and over 20 percent support at Shell. LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

Drax's rhetoric and practices on climate have been a particular concern for LAPFF over the last few years. Consequently, LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

It is interesting to note that while many ESG resolutions, and in particular socially oriented resolutions, gained traction this year, the so-called 'anti-ESG' resolutions aimed at questioning the value of ESG issues in relation to financial performance, appeared to lose ground. LAPFF will continue to issue voting alerts throughout the year as appropriate.

LAPFF Report on Visit to Brazil

As reported previously, LAPFF Chair, Cllr Doug McMurdo, visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam, which has not collapsed but about which surrounding community members have concerns.

The report of LAPFF's findings from this visit has now been made public. A related video is also available.

The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

Cllr McMurdo also met with company

"I knew the visit would be difficult, but I wasn't prepared for the scale of devastation I saw nearly seven years on from the Mariana collapse and three and a half years on from the Brumadinho collapse. Seeing it with my own eyes was a wake up call – investors must do more! It was truly heartbreaking. My main concerns were the issues around water quality and availability and the apparent lack of communication between the companies and the communities. I can't see how there can be meaningful progress until this communication gap is rectified, but it is a tall order. I am also now more convinced than ever that this is an issue of financial materiality."

LAPFF Chair, Cllr Doug McMurdo

VOTING ALERTS

representatives and Brazilian investors during his visit. Vale Chair, José Penido, spent two days showing Cllr McMurdo two resettlement areas in Mariana and the site of the dam collapse at Brumadinho. Cllr McMurdo met with staff at Samarco to understand better how the collapse had happened and measures the company is taking to rectify the problems. JGP Asset Management then organised a meeting of LAPFF, Brazilian investors, and Vale to discuss a sustainable way to rectify the outstanding reparations work. BHP declined to make a representative available to meet with LAPFF in Brazil.

It was clear to LAPFF from these meetings that the companies need to do a better job of communicating to both communities and investors the steps they are taking to address human rights and environmental concerns.

CLIMATE VOTING ALERTS

Objective: Due to the scale of the investment risks and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These alerts recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition.

Achieved: Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale of support highlights the support for climate action among responsible investors and delivered a strong message to companies on the need for credible climate action policies and plans.

Resolutions focused on climate transition plans did well. Almost half (48 percent) of shareholder votes backed a resolution at Quest Diagnostics and over a third at Raytheon Technologies (37 percent), and JPMorgan Chase (35 percent). Similar resolutions received significant support at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

Several resolutions focused on emission targets, including targets that cover all emission scopes, absolute emission reductions targets and Paris aligned targets. There were significant votes on the issue at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Shareholder requests for reports into alignment of direct and indirect lobbying activity with climate goals gained significant backing by shareholders. Cenovus board supported the shareholder proposal which received backing of 99 percent of shareholder votes. Lobbying resolutions were also strongly supported in spite of board opposition at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

This year also saw shareholder resolutions on just transition reporting, a topic which LAPFF has focused on over the past few years. The just transition resolution at BorgWarner received 31 percent of shareholder votes, 27 percent at Amazon and 16 percent at Marathon Petroleum.

In Progress: LAPFF will continue to issue climate voting alerts to support resolutions aligned with LAPFF engagement objectives. LAPFF also intends to follow up with the companies where there were significant votes in favour of shareholder resolutions to understand how the board intends to respond.

MINING VOTING ALERTS

Objective: LAPFF issued voting alerts this quarter for Rio Tinto, Anglo American, Glencore, and Vale. The aim of these voting alerts was to draw attention to both the companies and investors that there is still significant work to do on both human rights and decarbonisation in respect of creating shareholder value for investors.

Achieved: Three of the resolutions for which LAPFF recommended oppose votes at Rio Tinto were related to executive remuneration and the re-election of the sustainability committee chair. These resolutions received the highest number of oppose votes from voting shareholders. The sustainability committee chair is scheduled to step down later in the year because she reached her nine-year limit on the board. However, LAPFF has opposed her re-election since 2021 because she has been in this role since before the company's destruction of Juukan Gorge in 2020. LAPFF also recommended opposing Anglo American's remuneration implementation and policy reports, which received oppose votes at the AGM of over five and four percent respectively.

In addition to issuing voting alerts for Rio Tinto and Anglo American, LAPFF attended the AGMs of these two companies. As with the Rio Tinto sustainability committee chair, the Anglo American sustainability committee chair received a high oppose vote (over six percent). However, unlike his Rio Tinto counterpart, he was not present at the AGM. The Anglo American chair also received an oppose vote of over three percent. LAPFF was quite surprised and disappointed when he requested that people asking questions at the meeting do so only in English, especially given that a number of affected community members had travelled from South America to attend the AGM and ask questions.

The Vale and Glencore AGMs were in Brazil and Switzerland, respectively, so LAPFF was not able to attend. Nearly 22 percent of votes opposed and abstained on Vale's annual report (the vast majority abstaining); LAPFF had recommended an oppose vote on this report in relation to its coverage of the Mariana and Brumadinho tailings dam collapses. LAPFF recommended a vote in favour of the shareholder resolution on climate at Glencore, which received nearly 30 percent support from voting shareholders.

In Progress: LAPFF will continue to engage all of these companies on both their human rights and environmental practices on the basis that improved practice in these areas will set the conditions for sustainable shareholder returns.

COMPANY ENGAGEMENTS

The headquarters of Tesla Motors

TECHNOLOGY VOTING ALERTS

Objective: LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies over the last few years and did so again this year. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement with US companies with which it deems there are ESG or financial concerns. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

Achieved: LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

In Progress: Prior to issuing voting alerts, LAPFF sends the draft alerts to the target companies for comment. If the companies comment, LAPFF includes the company comments in the alert issued to its members. However, none of the technology companies receiving voting alerts provided comments or responses to LAPFF. LAPFF continues to seek ways to engage these companies meaningfully in relation to the issues of concern to LAPFF.

COMPANY ENGAGEMENT MEETINGS

Shell

Objective: LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

Achieved: After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommend voting for his re-election and against the incumbent NEDs that were appointed prior to him.

In Progress: LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. We therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BP

Objective: LAPFF sought a meeting with the CEO to better understand BP's decision to move down its 2030 reduction targets.

Achieved: LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow.
In Progress: Further contact and engagement with the company is ongoing.

HSBC

Objective: LAPFF's aim in engaging with HSBC is to ensure the company continues to show leadership in climate and addresses the human rights concerns arising from the increasing integration of Hong Kong into mainland China. While HSBC has made substantial progress on climate, certain aspects of its strategy need strengthening, in particular over the assessment of credible transition plans when lending. HSBC also faces growing human rights challenges from the increasing integration of Hong Kong into mainland China and has faced criticism for blocking the accounts of activists and the payment of pensions to those leaving Hong Kong. This point relates to shareholder proposals to split the UK and Hong Kong businesses, which have been strongly opposed by management but would be one approach to easing human rights concerns.

Achieved: LAPFF met with the Senior Independent Director to discuss its concerns. On the issue of the company split LAPFF explained that it is prepared to support the company for now, but this issue does link with broader human rights concerns over strategy and involvement in mainland China.

As a result of this meeting, LAPFF decided to issue a voting alert, recommending voting against the report and accounts as the human rights disclosures were inadequate and a broader strategy in response to the changes in Hong Kong is needed. Climate disclosure too could be improved, in particular around credible transition plans.

In Progress: The company has invited LAPFF to a follow up meeting to focus on human rights. LAPFF will seek to explore further with HSBC how it can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective direct control of mainland China, while maintaining a progressive international reputation. LAPFF has also been invited to have further discussion with the company on climate finance and reporting.

Barclays

Objective: The aim of meeting with Barclays was two-fold. The first objective was to ensure continued progress on climate related disclosure and investment, including challenging the company on fossil fuel investments. The second objective was to seek to improve governance, noting CEO appointments have been a long-term issue for the company.

COMPANY ENGAGEMENTS

Headquarters of Barclays Bank in Canary Wharf

Achieved: LAPFF was offered a very late meeting with the Chair, where it expressed its concerns primarily over governance. The discussion centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier, and what that might mean for the analysis and judgement of the Board. Recent press allegations had further heightened our concerns, with suggestions that the Board could have known more. LAPFF was considering issuing a voting alert recommending abstaining on the election of the Chair. However, in light of further discussions with the Chair, the alert was withdrawn.

In Progress: LAPFF expects to follow up with the Chair shortly and will further discuss governance, seeking reassurances and identifying any possible actions. LAPFF will also follow up with Barclays on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

Rio Tinto

Objective: LAPFF was outspoken about Rio Tinto's destruction of Juukan Gorge and has been engaging consistently with communities around the world affected by the miner's activities. Although LAPFF met briefly with Rio Tinto's new Chair, Dominic Barton, at the 2022 Rio Tinto AGM, it had not met with him one-on-one. LAPFF's aim was to have a meaningful meeting with him and ensure that the company is being overseen by an effective chair.

Achieved: LAPFF Chair, Cllr Doug McMurdo, met with Mr Barton toward the end of March to discuss the company's on-going transformation in the wake of Juukan Gorge. The meeting was cordial, and Mr Barton was receptive to LAPFF's thoughts and observations. LAPFF also met with community representatives from the US, Serbia, and Madagascar to hear about their experiences with Rio Tinto. Shortly after meeting Mr Barton, Cllr McMurdo attended the Rio Tinto AGM and posed a question about how the company is seeking to improve its social license to operate.

The morning of the AGM, LAPFF also met with Vicky Peacey, the new head of Rio Tinto and BHP's joint venture, Resolution Copper, in Arizona. Having met with a community representative from Arizona, it was helpful to hear about Resolution Copper's view on the project's developments and its perceptions of community concerns about the project.

In Progress: In addition to continued community concerns about Rio Tinto's engagement with them on social and environmental matters, LAPFF continues to question the company's approach to social and environmental impact assessments. LAPFF's view is that these impact assessments need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

Anglo American

Objective: LAPFF's main objective in engaging with Anglo American this quarter was to obtain the company's views on its report from LAPFF's time in Brazil visiting communities affected by Anglo American's Minas Rio mine. However, as a member of the PRI Advance group on Anglo American, LAPFF also sought to work with the other group members to establish a relationship with the company through that forum.

Achieved: Anglo American engaged significantly with LAPFF in relation to the Brazil report. Part of the engagement included a meeting with operational staff familiar with Minas Rio and with community concerns in relation to the mine and its tailings dam. The company's insights and contributions were extremely useful, and LAPFF was able to include many of them in the Brazil report.

LAPFF also attended the Anglo American AGM after having met community members from Peru, Colombia, and one of the Brazilian community members it had met during its visit. LAPFF's AGM question was whether the board would commit to visiting community members affected by Anglo American's operations during its visits to various Anglo American project sites throughout the year. The Anglo American Chair, Stuart Chambers, stated that the board would make this commitment.

Toward the end of the quarter, LAPFF joined with lead investors, Morgan Stanley and Schroders, to meet with Anglo American through the PRI Advance initiative. The company representatives appeared to welcome the engagement. LAPFF asked about the company's perceptions of why affected community members did not want to meet with local management at Anglo American sites.

In Progress: LAPFF was surprised at the Chair's request that AGM participants ask

COMPANY ENGAGEMENTS

their questions in English given the effort and expense made by the community members in traveling to the UK to attend the AGM. In the PRI Advance meeting, LAPFF asked whether the company would be willing to re-think this requirement at the next AGM. LAPFF will also seek to engage the chair about this decision.

BHP

Objective: LAPFF was pleased that BHP began to respond to LAPFF's request for engagement in relation to Brazil given that the company did not grant a meeting with BHP Brazil during LAPFF's visit. LAPFF's aim was to meet with the company to discuss further its approach to non-operated joint ventures and its community engagement approach, as well as developments in Brazil.

Achieved: The company provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse. Samarco is a joint venture between Vale and BHP, with BHP being the non-operating joint venture partner.

In Progress: LAPFF will continue to try to engage meaningfully with BHP, including in relation to its role in the reparations for the Mariana communities in Brazil affected by the Samarco tailings dam collapse.

Vale

Objective: An ongoing area of engagement with Vale has been the time it has taken for affected community members to be resettled following the destruction of their homes in the tailing dam disasters. Alongside gaining assurances regarding the resettlement process, LAPFF sought to engage the company on other findings in the report from LAPFF's time Brazil.

Achieved: LAPFF met with representatives from the company. Whilst still slow, the company indicated that progress was being made regarding the resettlement process. LAPFF heard how the company was continuing to seek to learn from what happened to improve its practices and that the changes occurring were in part due to engagement it has had with

B&Q DIY store, Kingfisher plc

LAPFF. The meeting also discussed the importance of investors spending time with NGOs and communities, as LAPFF did in its visit to Brazil.

In progress: LAPFF will continue to follow the progress of the resettlement projects and engage on issues highlighted in LAPFF's report, including dam safety and water quality.

Kingfisher

Objective: Kingfisher was cited in a Financial Times article as providing above inflation wage increases for its lowest paid staff, in contrast to the vast majority of FTSE100 companies. LAPFF sought a meeting to understand the company's approach to remuneration and employee engagement, particularly in the context of a cost-of-living crisis.

Achieved: LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, looking at benefits as well as salary increases. Overall, Kingfisher described steps it was taking business-wide in this context.

In Progress: LAPFF continues to monitor company remuneration, looking at both CEO and employee pay.

Bank Leumi

Objective: As a part of the Forum's engagement with companies considered to be active in the Occupied Palestinian Territories, LAPFF has sought a meeting with Bank Leumi, an Israeli bank, to encourage the company to undergo an independently led human rights impact assessment, and to better understand the company's approach to human rights in its financing decisions.

Achieved: LAPFF met with representatives from the bank, who were open to dialogue. The Forum pointed out areas it believed disclosures could be enhanced around human rights and how the company managed such risks in its investment decisions. Whilst the company talks about human rights in its reporting, it does not provide any detail on its risk management protocols when looking at investment decisions, and how it manages potential direct and indirect adverse human rights impacts.

In Progress: LAPFF continues to push companies for meetings to discuss their approaches to human rights risk management in relation to the Occupied Palestinian Territories.

COMPANY ENGAGEMENTS

Garment factory workers in Myanmar

Home Depot

Objective: The Home Depot was reported to have alleged links to forced labour in its polyvinyl chloride (PVC) supply chain in the 'Built on Repression' report produced by Sheffield Hallam University. Alongside members from the Investor Alliance on Human Rights Uyghur Working Group, LAPFF met with the company in December and subsequently asked a question at the company's AGM in May.

Achieved: At the AGM, LAPFF asked the company if it would commit to undertaking a mapping of its supply chain in higher-risk areas such as Xinjiang, and whether it would undertake an independently led human rights impact assessment on its PVC supply chain. The company provided a general response on its supply chain due diligence but did not commit to either of LAPFF's requests.

In Progress: Alongside the other investors involved in the engagement, LAPFF will be seeking to organise another call with the company to further discuss its global supply chain due diligence with a focus on its PVC supply chain and Uyghur forced labour.

Next

Objective: Myanmar has been under an extended state of emergency and fraught with a variety of human rights issues since the military coup in February 2021. The Ethical Trading Initiative posted guidance last September for companies in the country's garment sector, with many choosing to exit the country having exhausted efforts to leverage positive human rights outcomes. Next is one of just a few companies still operating in the country, so LAPFF wanted to understand why the company has chosen to stay.

Achieved: LAPFF Executive member, Sian Kunert, met with Next to discuss its position in the country and what it was doing in the context of human rights risk management and due diligence. Sian asked the company representatives if they thought that Next was doing something different from its peers that allowed it to stay in the country and to respect workers' and community members' human rights in doing so. Whether it was safe to carry out audits in the country was also probed. LAPFF requested increased disclosure of child labour concerns and remediation practices.

In Progress: LAPFF will continue to monitor the company's response to the ongoing coup in Myanmar and potential labour rights issues that may arise and affect its approach to human rights.

Adidas

Objective: Adidas is another company that maintains operations in Myanmar. It was also subject to a letter from the US House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour. As with Next, LAPFF was keen to understand why Adidas has decided to maintain operations in the country.

Achieved: LAPFF met with Adidas to discuss these supply chain issues in the context of the company's approach to human rights risk management in its

COLLABORATIVE ENGAGEMENTS

global supply chains. LAPFF Executive member, Sian Kunert, asked questions about the development of the company's human rights policy, its decision to remain in Myanmar, and on its due diligence regarding Uyghur forced labour in its supply chains, which the company provided comprehensive answers to.

In Progress: It is unclear whether Adidas' response to the House Select Committee is something that will be made public. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang.

COLLABORATIVE ENGAGEMENTS

Toyota – CA100+

Objective: Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. It is also a sector in the middle of significant transition, as technology advances and regulations and public policies make EVs more price competitive. Those companies not making the shift and seeking to slow the passage of environmental laws and regulation are therefore creating investment risks associated with not staying within 1.5 degrees of warming and being left behind by competitors shifting to EVs. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. Through the CA100+ transportation group, LAPFF has been seeking to ensure these risks are properly addressed.

Achieved: This quarter LAPFF signed on to a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments, which called on the company to align its strategy and lobbying activity to a 1.5 degree scenario.

Concern about Toyota's lobbying activity led to a shareholder resolution, calling for an annual review and report on the impact on Toyota caused by climate-related lobbying activities and the alignment of their activities with the goals of the Paris Agreement. As part of its climate voting alerts LAPFF supported the resolution.

During the quarter, LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it. The company outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

In Progress: LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

Welltower – IIRC

Objective: LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with $4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. The initiative not only engages with care providers, but also Real Estate Investment Trusts to ensure that they are supporting operators meet expectations on such standards. As part of the initiative, LAPFF wrote to Welltower, a US-based REIT, seeking a meeting. LAPFF also requested the company provide information including on exposure levels and oversight mechanisms.

Achieved: As the company had not responded to requests for a meeting and information, LAPFF decided to issue a voting alert. As set out in LAPFF's policy guide, investee companies are expected to engage with shareholders and LAPFF expects boards to keep in touch with shareholder opinion. Given the lack of engagement from the company and the potential investment risks, LAPFF recommended voting against the chair of the company. In total 6.9 percent of shareholders voted against the chair, which although a minority position does indicate some concern from shareholders with the chair of the company.

In Progress: LAPFF will continue to participate in the IIRC and will follow up with Welltower to engage on the potential social risks facing the REIT.

National Grid – CA100+

Objective: LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. LAPFF is one of the co-leads at CA100+ on National Grid. Despite a positive superficial impression, detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition, continuing involvement in gas distribution without a clear long term transition plan for it, and growing delays in connecting to the grid in UK, affecting the roll out of clean energy in the UK.

Achieved: Several meetings as part of LAPFF's leadership of the group have been held with the company, giving it the chance to explain its concerns and suggest best practice. The company has acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. In our meeting with the Chair, she acknowledged some of our concerns over strategy communication, and therefore LAPFF will expect to see further improvement on this in the coming year.

In Progress: LAPFF's focus is on understanding the company's broader long-term strategy and the assumptions behind it, in particular the role it sees for domestic gas. Continuing support for gas may explain much of its reluctance to embrace Net Zero more fully. Improved strategic disclosure would help address this, including a more balanced discussion of the use of low carbon gas, and the Company's own plans or vision for improving grid connections (ideally with targets) rather than passing the blame to regulators. These areas will form the focus on LAPFF ongoing engagement with the company over the coming year.

COLLABORATIVE/STAKEHOLDER ENGAGEMENT

National Grid gas distribution operations

Vale and Anglo American - PRI Advance

Objective: LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. Both groups are in the process of establishing their engagement strategies, and LAPFF's aim is to contribute its knowledge from its own engagements with both companies to these engagement strategies, and to the engagements themselves.

Achieved: The Vale group held a meeting to establish its engagement strategy, and the Anglo American group held its first meeting with the company. Anglo American appeared to be very receptive to a meeting with the group, and the meeting was cordial. LAPFF contributed content to the questions posed at the meeting.

In Progress: LAPFF has been asked to become a lead investor in the Vale group given its work in Brazil and has accepted this invitation. It will continue to work with both the Vale and Anglo American groups to engage the companies and push for meaningful human rights improvements.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF met with Sanwa Holdings and Kamigumi Co in April. Although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their company wide, and senior level diversity efforts.

In Progress: The Group has continued to extend its outreach to companies outside of the UK, with LAPFF set to lead on engagements through the Group's Global Workstream subgroup.

STAKEHOLDER ENGAGEMENT

OECD Forum on Responsible Supply Chains

Objective: LAPFF was asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil and, more broadly, its engagement with stakeholders affected by mining operations. It was also useful to engage with the other panellists to understand their work and perspectives better.

Achieved: LAPFF was approached by a number of event participants after its presentation. These participants stated that they were impressed with LAPFF's work in this area and wanted to learn more about LAPFF's experience.

In Progress: LAPFF is continuing to engage with these contacts and others made through them to explore

STAKEHOLDER ENGAGEMENT

opportunities to develop this work stream further.

Mining Communities and Workers

Objective: Communities affected by mining operations always approach LAPFF in the run up to mining company AGMs. LAPFF's aim in meeting with them is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. This information then feeds into questions LAPFF poses at company AGMs and company meetings.

Because LAPFF has been engaging with these communities for a number of years now, much of the engagement is focused on updates from community members about mining impacts. However, there are sadly always new communities and new concerns arising from community experiences. LAPFF is keen to learn about the perspectives of these new communities too.

LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

Achieved: LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries reported their concerns about Glencore's practices.

LAPFF attended a webinar to hear about the Amazon shareholder resolution on freedom of association and collective bargaining. There were Amazon workers on the call who spoke about their experiences and views about Amazon's work place practices. This webinar informed the content of LAPFF's voting alert for Amazon.

In Progress: LAPFF is continuing to meet with representatives of all of these communities on a regular basis to obtain updates for company engagements. In LAPFF's experience, the companies are receptive to the information conveyed. The ultimate goal, though, is to ensure that company practice on human rights and the environment meets community needs so that it can create the conditions for more sustainable shareholder returns.

Uyghur activists and other supporters gathered on Parliament Square

Uyghur Forced Labour in Green Technology Supply Chains

Objective: This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. Within this, Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology, such as electric vehicles and solar panels. The project aims to provide guidance on how investors can address the risk of Uyghur forced labour and other affected peoples in green technology holdings.

Achieved: LAPFF took part in an initial consultation process for the project, looking at the Forum's understanding of forced labour in these sectors. LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, taking an in-depth look at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at potential avenues to move forward.

In Progress: LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

CONSULTATION RESPONSES

UN Working Group on Business and Human Rights

Objective: The UN Working Group on Business and Human Rights ran a consultation this quarter on extractives, human rights, and the just transition. LAPFF has been working heavily in all three of these areas so was keen to share its views and experiences.

Achieved: LAPFF submitted a consultation response that expressed support for good human rights and environmental due diligence legislation and emphasised the need for improved stakeholder engagement by extractive companies. LAPFF welcomed the opportunity to respond, appreciating the consultation's recognition that both state and business actors have imperatives to act effectively on these issues. LAPFF's response called for mandatory reporting on climate plans to cover just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

WEBINARS/MEDIA

In Progress: LAPFF will continue to look for opportunities to respond to consultations when it believes it can contribute helpfully based on its engagement and policy experience.

LAPFF WEBINARS

All-Party Parliamentary Group

In early April, the LAPFF-supported APPG on Local Authority Pension Funds held a meeting with LGPS minister, Lee Rowley MP, accompanied by a senior civil servant from the Department for Levelling Up, Housing and Communities.

The meeting focused in large part on the proposed consultations on LGPS pooling and investment in illiquid assets. The minister indicated the government's preference would be for a voluntary approach to both issues and stated that the pooling consultation would be published in the coming months. On the matter of TCFD reporting, because the department received so many responses to its consultation, it was suggested that reporting requirements may not come into force until the following financial year.

The APPG also met at the end of June to discuss the LGPS and investment in illiquid assets. In the 2023 Budget, the government stated that it would: "Consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets."

On the back of the proposed consultation, the meeting heard from the Karim Palant (director of External Affairs) and Garry Wilson (chairman) of the British Private Equity & Venture Capital Association (BVCA) who highlighted the opportunities of such investment. The meeting also heard from Andrew Williamson of Cambridge Innovation Capital on the growth of venture capital. Sian Kunert, Head of Pensions at East Sussex Pension Fund and LAPFF Executive member, outlined what her fund was already doing and the opportunities and challenges of investing in illiquid assets.

LAPFF/IndustriALL Garment Workers Webinar

LAPFF again partnered with IndustriALL to host a webinar on the importance of concluding negotiated, binding agreements rather than relying on voluntary, business-driven standards to reduce both human rights risk and business risk. The webinar was chaired by LAPFF Vice Chair, Cllr John Gray, and included speakers from Due Diligence Design, Aviva Investors, IndustriALL Global Union, and the Bangladesh Garment & Industrial Workers Federation (BGIWF).

MEDIA COVERAGE

Climate

Financial Times: Only 5% of FTSE100 companies have 'credible' climate transition plans, says EY
Reuters: UK's LAPFF recommends vote for BP climate activist resolution at AGM
CNBC: Oil major BP braces itself for shareholder revolt after scaling back its climate targets
Minuto Mais [Portuguese]: BP to quell shareholder anger after climate strategy flip
Reuters: Shell shareholders urged by LAPFF to back climate activist's resolution
Syndicated in Canada's Financial Post and Globe and Mail
The Times: Climate backlash from Shell investors
The MJ: Shell hits back after council fund criticism
Offshore Technology: LAPFF urges Shell shareholders to back climate resolution
Net Zero Investor: Shell's upcoming AGM showcases the challenges for shareholder activism
CNBC: Oil giant Shell braces for shareholder revolt over climate plans
Reuters: Analysis: Shell faces tense shareholder meeting as profits and climate collide
Capital Monitor: How investors voted on climate change at Big Oil AGMs

Plastics

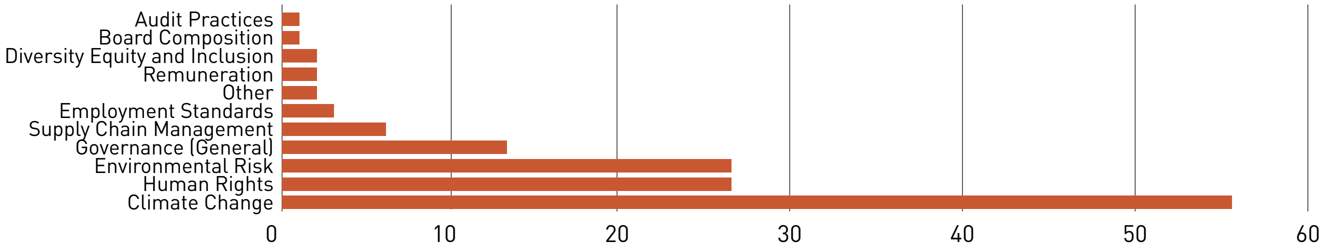
Business Green: Investors sound alarm over weak corporate plastic pollution policies

Mining and Human Rights

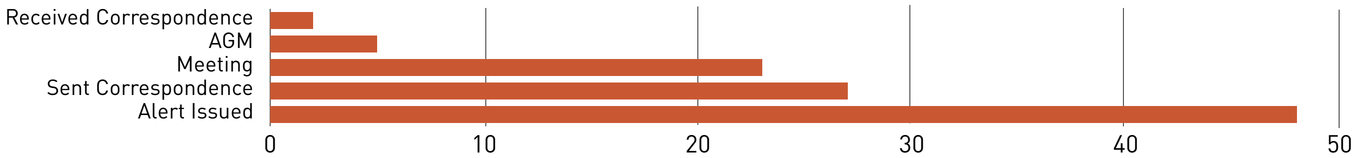
Daily Mail: BHP blasted over clean-up of deadly mine disaster
Legal Future: Supreme Court will not hear appeal on largest-ever group action
The Times: Mindful miner Jakob Stausholm is trying to dig Rio Tinto out of a hole

ENGAGEMENT DATA

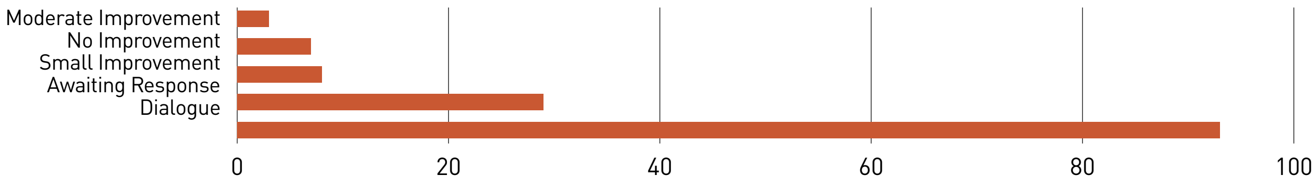
ENGAGEMENT TOPICS



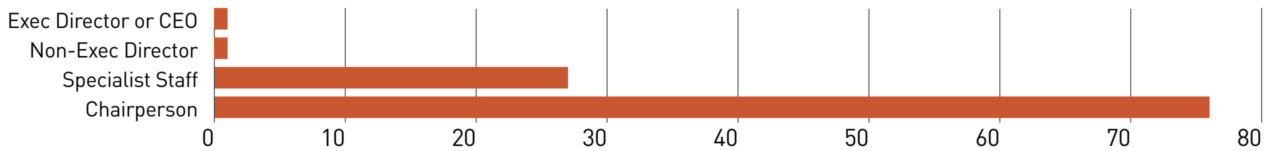
ACTIVITY



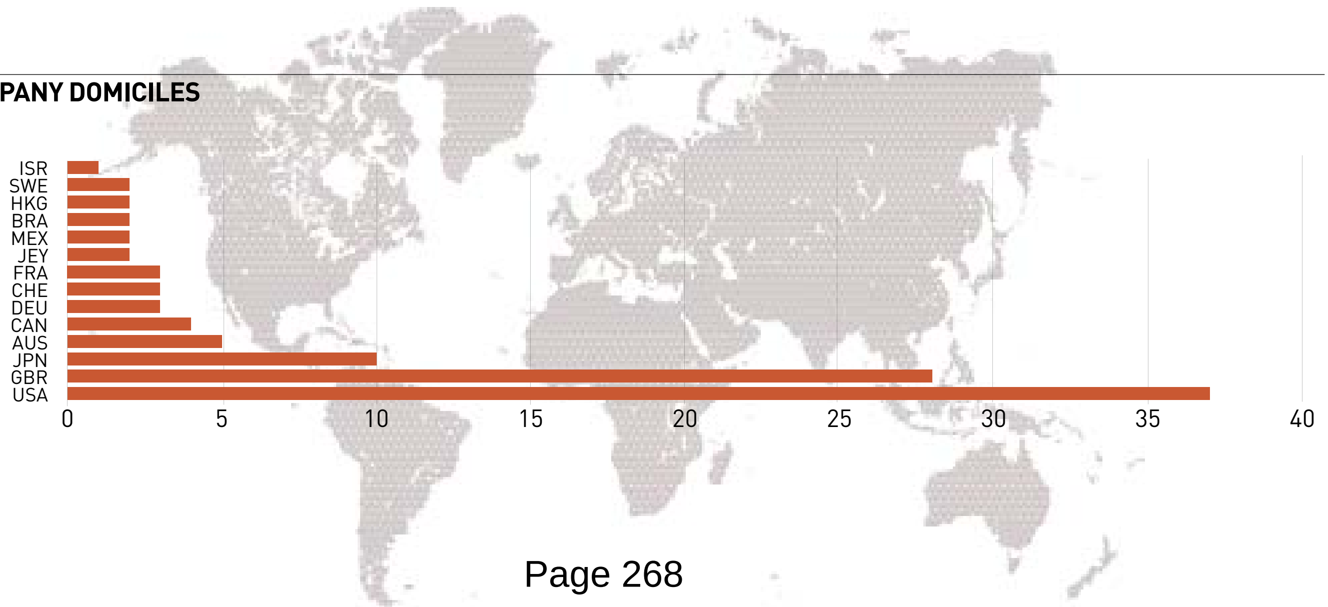
MEETING ENGAGEMENT OUTCOMES



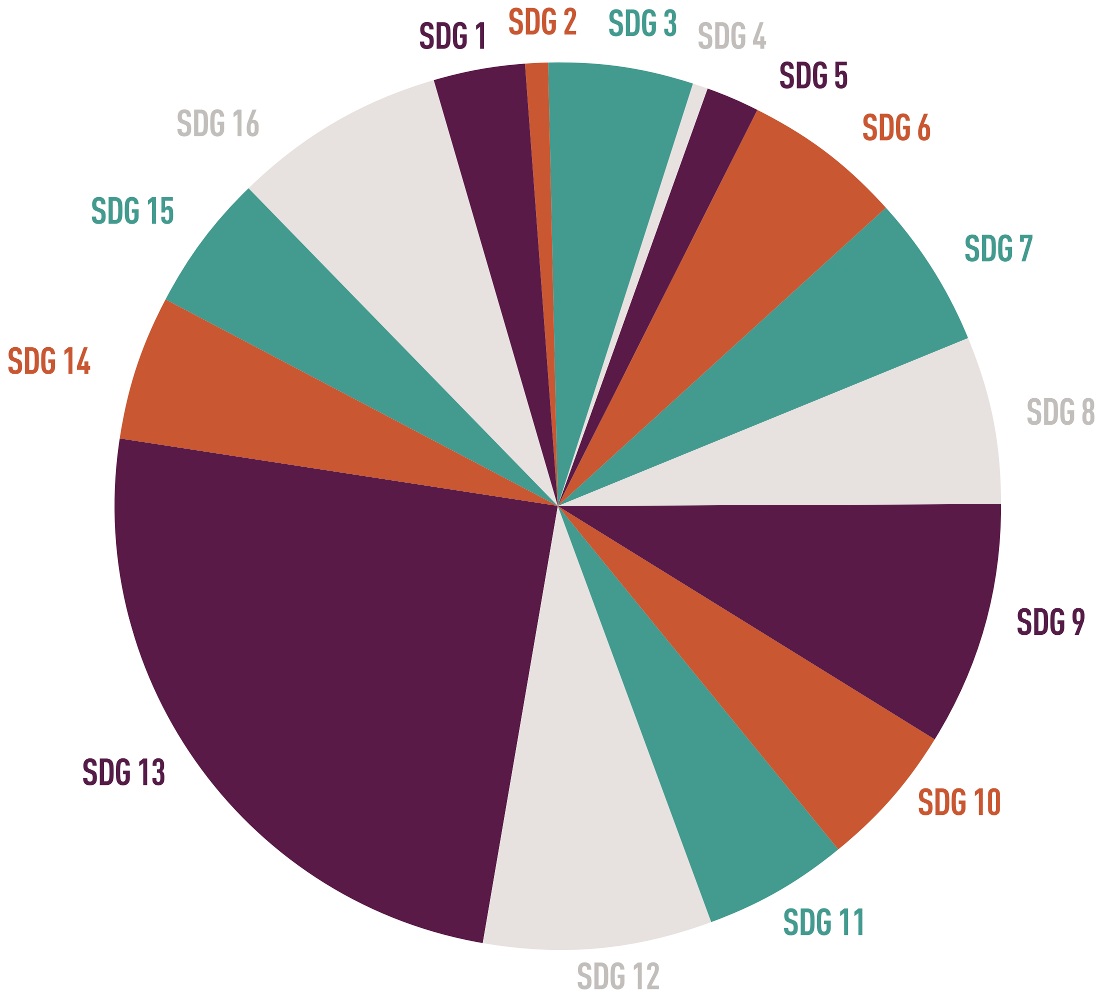
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
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SDG 7: Affordable and Clean Energy	16
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COMPANY PROGRESS REPORT

LAPFF engaged 84 companies during the quarter

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Meeting	Supply Chain Management	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMEREN CORPORATION	Alert Issued	Climate Change	Dialogue
ANGLO AMERICAN PLC	AGM	Human Rights	Dialogue
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	Small Improvement
BORGWARNER INC	Alert Issued	Climate Change	Dialogue
BP PLC	Alert Issued	Environmental Risk	Dialogue
BRIDGESTONE CORP	Meeting	Board Composition	Small Improvement
CENOVUS ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Social Risk	Awaiting Response
CHEVRON CORPORATION	Alert Issued	Climate Change	Dialogue
CHUBB LIMITED	Alert Issued	Climate Change	Dialogue
CK HUTCHISON HOLDINGS LTD	Sent Correspondence	Environmental Risk	Awaiting Response
COMCAST CORPORATION	Alert Issued	Climate Change	Dialogue
COSTAR GROUP INC	Alert Issued	Climate Change	Dialogue
COTERRA ENERGY INC	Alert Issued	Climate Change	Dialogue
DBS BANK LTD	Meeting	Climate Change	Dialogue
DOLLARAMA INC	Alert Issued	Climate Change	Dialogue
DRAX GROUP PLC	AGM	Governance (General)	Dialogue
E.ON SE	Sent Correspondence	Social Risk	Awaiting Response
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Social Risk	Awaiting Response
ELECTRIC POWER DEVELOPMENT CO	Alert Issued	Climate Change	Dialogue
ENBRIDGE INC	Alert Issued	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	Dialogue
GLENCORE PLC	Alert Issued	Human Rights	Dialogue
GRUPO MEXICO SA DE CV	Sent Correspondence	Human Rights	Dialogue
GSK PLC	Sent Correspondence	Climate Change	Awaiting Response
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HONEYWELL INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
HSBC HOLDINGS PLC	Alert Issued	Governance (General)	Dialogue
IBERDROLA SA	Sent Correspondence	Social Risk	Awaiting Response
IDEX CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
IMPERIAL OIL LIMITED	Alert Issued	Climate Change	Dialogue
JPMORGAN CHASE & CO.	Alert Issued	Climate Change	Dialogue
KAMIGUMI CO LTD	Meeting	Diversity Equity and Inclusion	Small Improvement
KELLOGG COMPANY	Meeting	Other	No Improvement
KINGFISHER PLC	Meeting	Employment Standards	Moderate Improvement
LINDT & SPRUNGLI AG	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	Dialogue
MARATHON PETROLEUM CORPORATION	Alert Issued	Climate Change	Dialogue
MARKEL CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
META PLATFORMS INC	Alert Issued	Human Rights	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Alert Issued	Climate Change	Dialogue
NATIONAL GRID PLC	Alert Issued	Climate Change	Dialogue
NEW YORK COMMUNITY BANCORP INC	Alert Issued	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
NIKE INC.	Sent Correspondence	Human Rights	Awaiting Response
NINTENDO CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
PACCAR INC.	Alert Issued	Climate Change	Dialogue
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
PUBLIC STORAGE	Alert Issued	Climate Change	Dialogue

COMPANY PROGRESS REPORT

QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	Dialogue
RAYTHEON TECHNOLOGIES CORP	Alert Issued	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	AGM	Human Rights	Dialogue
ROCHE HOLDING AG	Sent Correspondence	Environmental Risk	Awaiting Response
SANOFI	Sent Correspondence	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	No Improvement
SOUTHERN COMPANY	Alert Issued	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	Dialogue
TESLA INC	Alert Issued	Human Rights	Dialogue
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	Dialogue
THE HOME DEPOT INC	AGM	Human Rights	No Improvement
THE MOSAIC COMPANY	Alert Issued	Climate Change	Dialogue
THE TJX COMPANIES INC.	Sent Correspondence	Environmental Risk	Awaiting Response
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	Dialogue
TOKYO ELECTRIC POWER CO INC	Alert Issued	Climate Change	Dialogue
TOTALENERGIES SE	Alert Issued	Climate Change	Dialogue
TOYOTA MOTOR CORP	Meeting	Climate Change	Small Improvement
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Environmental Risk	Dialogue
VALERO ENERGY CORPORATION	Alert Issued	Climate Change	Dialogue
VOLVO AB	Sent Correspondence	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	Dialogue
WELLTOWER INC	Alert Issued	Governance (General)	Dialogue
WH GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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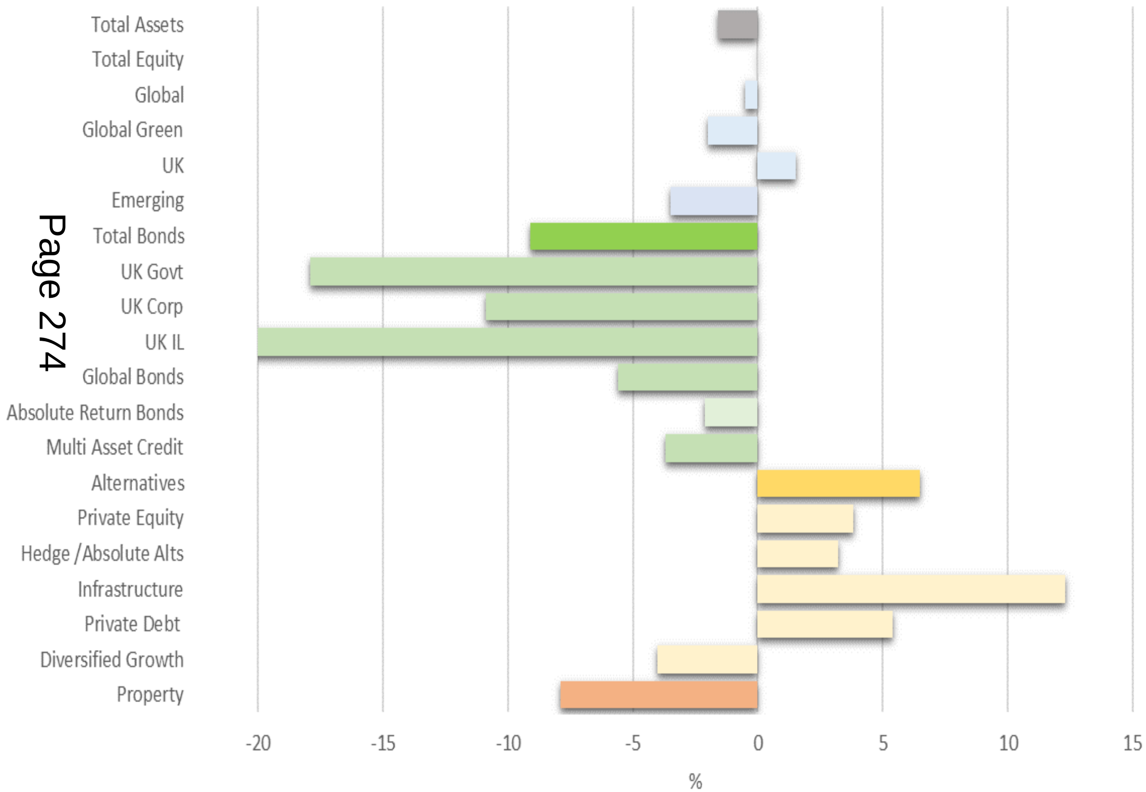
Brent Pension Fund
Performance to March 2023

Karen Thrumble
Head of Local Authority Pension Performance Analytics

The Latest Year



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A good year for alternative investments, the only area to deliver positive results.

Equity performance was flat – and most active managers failed to add value.

Bond performance was deeply negative with diversified strategies performing least badly.

Property saw a strong decline in values over the year.

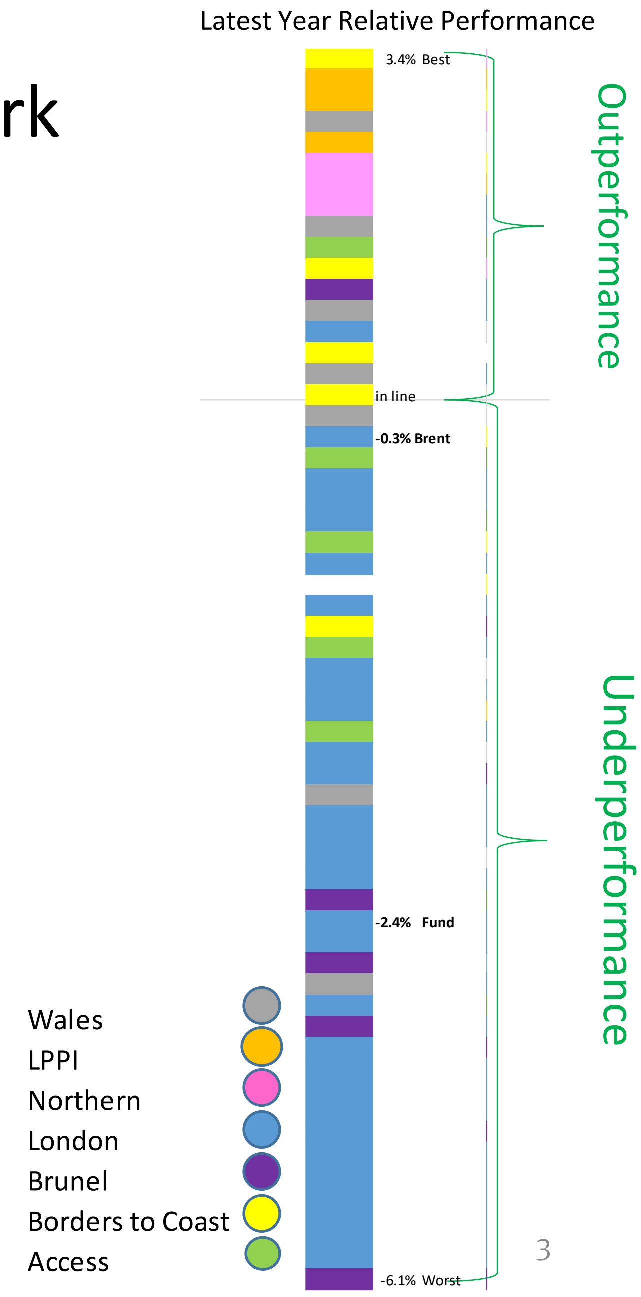
Performance Relative to Benchmark Latest Year

Performance relative to other funds will depend on two factors:
The benchmark set
Performance relative to that benchmark

While pooling won't impact the former it should now be having an effect on the latter.

In the latest year three quarters of funds failed to outperform their strategic benchmark.

Only one London Fund outperformed.
Conversely funds within LPPI and the Northern pool all outperformed.



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Longer Term Results

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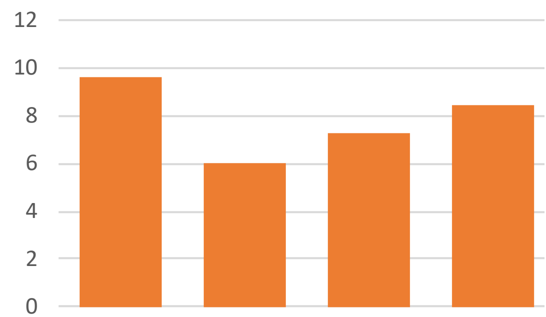
Yrs % p.a.



	3	5	10	20
Total Assets	9.6	6.0	7.3	8.4
Equity	14.5	7.6	8.8	10.0
Global	*14.9*	*8.4*	*10.0*	*6.4*
UK	*13.1*	*4.8*	*6.0*	*8.3*
Overseas	*14.2*	*7.6*	*9.6*	*10.6*
Emerging	*8.6*	*2.2*	*4.8*	*10.0*
Bonds	-0.9	0.3	2.6	4.5
Cash	0.9	0.6	0.7	1.0
Alternatives	11.6	10.3	9.8	8.5
Private Equity	*17.1*	*15.7*	*13.9*	*9.0*
Hedge Funds	*6.4*	*3.9*		
Infrastructure	*8.0*	*8.2*		
Property	2.9	3.2	6.8	6.0

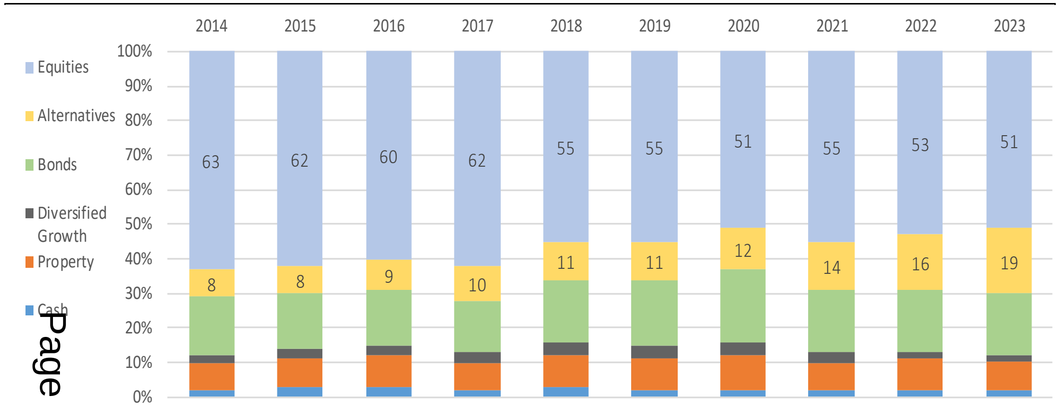
The best results (green) over the longer term were delivered by equities.

Over the medium-term alternatives have performed best, driven by excellent private equity results over all periods. Infrastructure has also delivered strong returns.

Property performance has been poor over the recent past.

Bonds, the worst performing of the major asset classes (in red), have now delivered a return below CPI over the last ten years.

Fund Structures



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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Global Equities	6	7	12	30	34	33	33	35	35	36
UK Equities	24	21	20	14	12	11	9	9	7	6
Overseas Equities	33	33	28	13	9	11	10	12	10	9
UK Govt / Inv Grade	13	13	13	8	9	9	10	8	8	8
Overseas Bonds	3	2	2	3	3	2	2	2	1	1
Absolute Return Bonds	1	1	2	3	4	4	5	5	4	3
MAC	0	0	0	1	2	3	3	3	4	5
Private Debt	0	0	0	0	0	0	1	2	2	2
Private Equity	4	4	5	5	5	5	5	7	8	8
Infrastructure	0	0	1	2	3	3	4	5	6	7
Hedge Funds	2	2	2	2	2	2	2	1	2	2
Diversifying Alts	1	2	1	1	1	1	1	1	1	1
Diversified Growth	3	3	3	3	4	4	4	2	2	2
Property	8	8	9	8	9	9	10	8	9	9
Cash	3	3	3	2	3	2	1	3	2	2

Funds have reallocated 12% of total assets from equities into alternatives over the last decade.

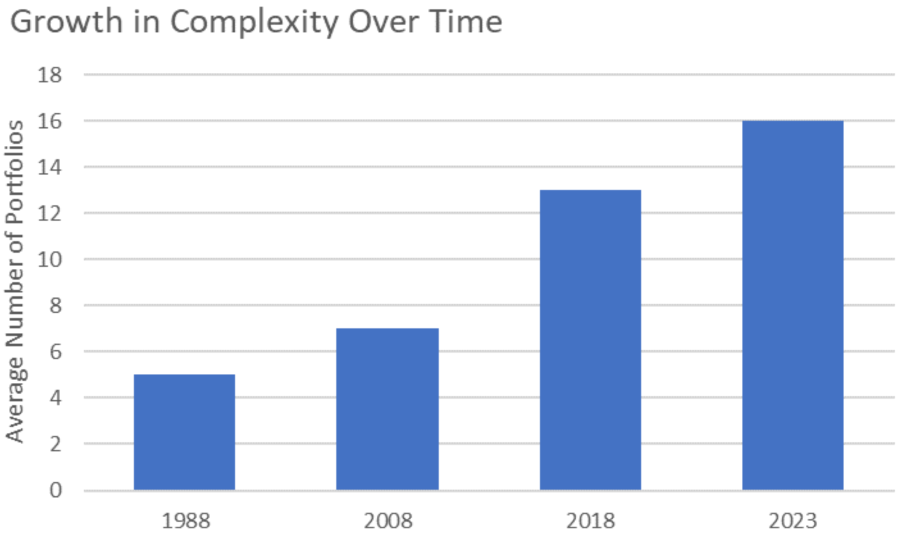
This has been the key structural change.

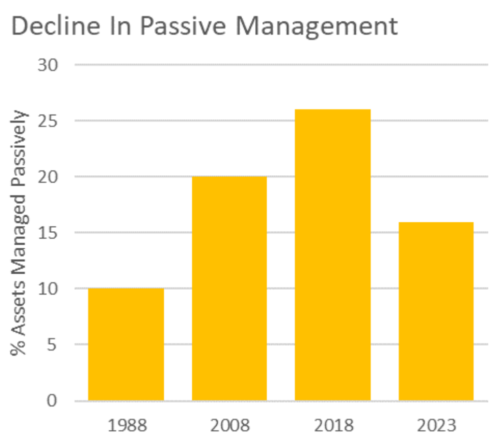
Infrastructure has emerged into a significant proportion of assets.

2016/17 was a pivotal year in terms of equity management away from regional to global mandates.

This was also the year funds really began to diversify bond exposure away from government to alternative forms of credit.

Complexity





The top chart shows funds have continued to become ever more complex. Pooling has made little impact.

Brent, with 15 Portfolios is in line with average.

Increased complexity brings increased administration, cost and governance.

Passive management, the lowest cost of investment strategies has declined as funds continue to believe in active management despite the evidence of poor returns.

Brent has 57% in passive management, keeping costs down and reducing active management risk.

Fund Performance

Latest Year Range of Results

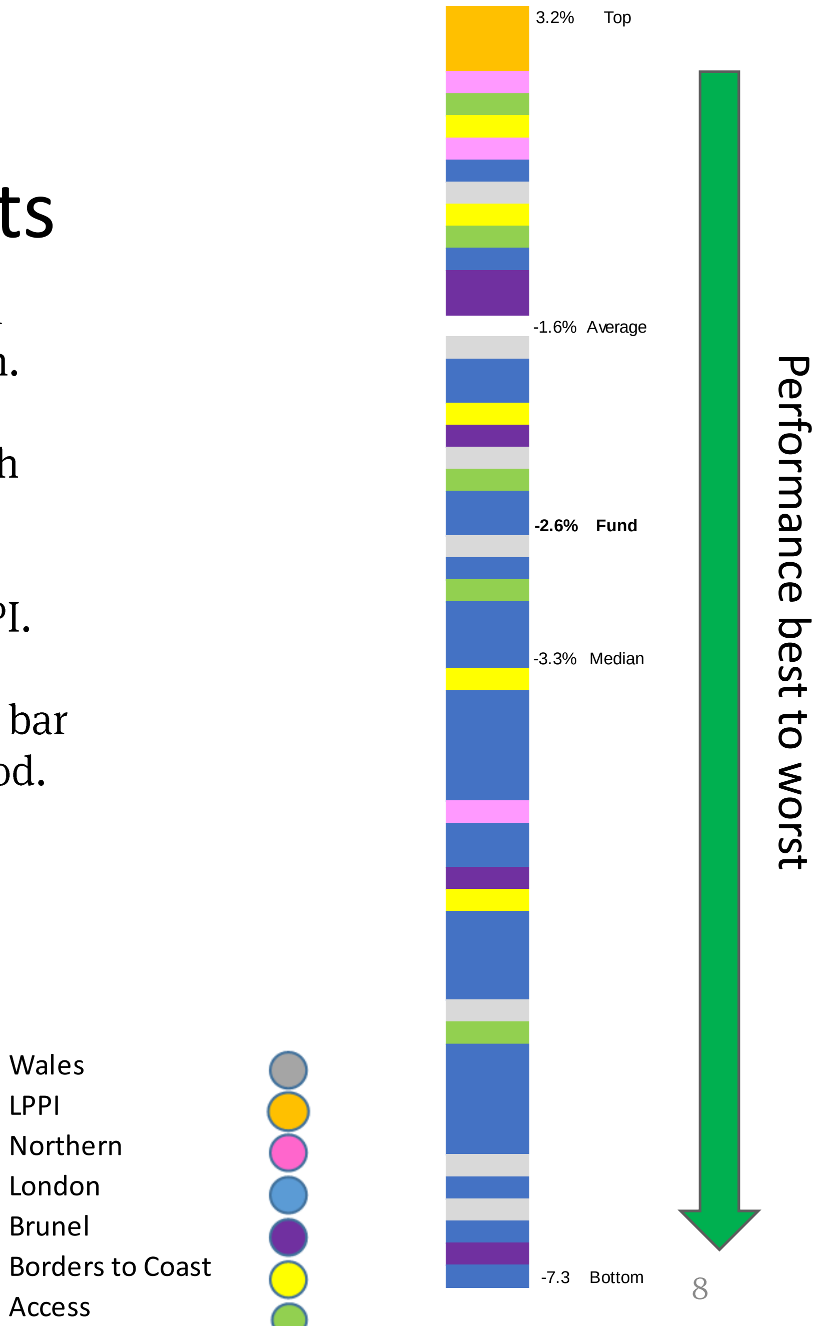
The blocks on the right show the funds listed from that with the highest to that with the lowest return.

The Fund, with a return of -2.6% ranked in the 38th percentile.

All top three funds this year (in green) were in LPPI.

London funds performed relatively poorly with all bar one underperforming its benchmark over the period.

Large funds had a strong year with 6 of the 7 top performers being over £5bn in value. The smallest funds largely delivered bottom quartile results.



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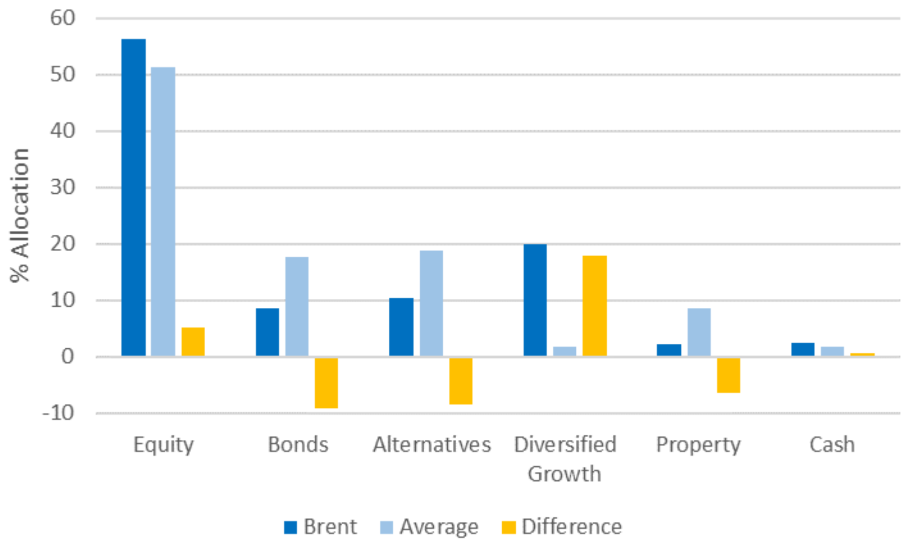
How Differently Was The Fund Structured?



The Fund has a higher allocation to equities and a much higher allocation to diversified growth.

It has a commensurately lower exposure to bonds, alternatives and property.

Unusually, last year this allocation had a broadly neutral impact on the relative performance.

Latest Year Asset Class Results

	Fund	Universe	Relative	*Ranking*
Fund	**-2.6**	**-1.6**	**-1.0**	***38***
Asset Class Performance				
Equity	-0.6	0.0	-0.6	*35*
Bonds	-20.5	-9.1	-12.5	*90*
Alternatives	13.1	6.5	6.2	*17*
Diversified	-4.4	-4.0	-0.4	*65*
Property	-11.9	-7.9	-4.3	*65*

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The Fund had a below average result in most areas last year.

The well below average result from bonds had the largest impact with the Fund suffering from holding long dated index linked securities.

Longer Term Performance

Fund Performance

	3 yrs	5 yrs	10 yrs	20yrs
Fund	8.7	5.8	6.6	6.4
Average	9.6	6.0	7.3	8.4
Relative	-0.8	-0.2	-0.6	-1.8
Ranking	*63*	*48*	*76*	*100*

Equity Performance

	3 yrs	5 yrs	10 yrs	20yrs
Fund	15.5	8.9	9.1	8.7
Universe	14.5	7.6	8.8	10.0
Relative	0.9	1.2	0.3	-1.2
Equity Ranking	*17*	*19*	*37*	*100*

Recent performance has been mixed but the Fund remains close to average over the last five years.

Longer term the Fund still trails the Universe average.

Equity selection has been key – the poor performance has been turned around in the last decade and has driven the much-improved overall Fund result.

However, the high commitment to Diversified Growth has had a drag on the overall result.

In Summary

LGPS had a challenging year. Like most others, the Brent Fund delivered a negative return.

The key structural difference between this and other funds is the high level of diversified growth held. This has reduced the return delivered.

Despite the mixed recent performance the Fund remains in line with average over the last five years and has improved significantly over the last decade.

This fund has retained a higher proportion of passive management than its peers which should have a positive impact on cost.

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Brent

MINUTES OF THE PENSION BOARD
Held as an online meeting on Monday 24 July 2023 at 6.00 pm

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

ALSO PRESENT (in remote attendance): Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources & Reform) & John Crowhurst (Local Pensions Partnership Administration).

1. **Apologies for Absence**

No apologies were received.

2. **Declarations of Interests**

The Chair, David Ewart, declared a personal interest as a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) and as a member of another local authority pension fund.

3. **Minutes of the Previous Meeting**

The minutes of the previous meeting held on Wednesday 22 March 2023 were agreed as an accurate record.

4. **Matters Arising (if any)**

A correction regarding the previous minutes was raised, in which members were advised that the dates for future meetings were 8 November 2023 and 25 March 2024, a meeting was not being held on 25 February 2024.

5. **Pensions Administration Update**

Sawan Shah (Head of Pensions, Brent Council) introduced the report, which updated the Pension Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund. The Board were informed that the report was divided into three sections, 'Pension Administration Performance Update', 'Annual Benefit Statements', and 'Regulatory Projects', which would be addressed in turn. It was explained that the data covered January to March 2023 and therefore was slightly out of date at the time of the meeting. In addition to the Pension Board meetings, members noted that officers and LPP held monthly meetings to review performance and address any issues.

The Board were advised that performance during the quarter, as stated in the previous Pension Board meeting in March, was challenging due to the UPM migration. However, performance was highlighted as improving and members were reminded of the temporary SLA's agreed due to the UPM migration. In concluding their introduction, Sawan Shah detailed the increase in complaints spanning February to May 2023, with 33 new complaints received since the last Pension Board meeting. Out of the 33 cases, 17 related to delays, 15 related to general service and 1 related to payment. It was acknowledged that the number of complaints were high compared to the historical average, which were mainly due to the challenges in performance following the system migration.

Following the introduction of the report, the Chair welcomed John Crowhurst from Local Pensions Partnership Administration (LPPA), the Council's administration service provider, who provided a verbal update regarding recent pensions administration performance, with the update summarised below:

- The average percentage of cases processed on time was 97% during May, 97% during June and 96% during July. The performance for May to July was above the contractual SLA target of 95% and was largely attributed to clearing historical spikes in workload arising from the UPM migration, with performance now expected to stay around the 95% target.

- The Board were informed that the percentage of retirements active cases currently being processed on time was 90%. LPPA recognised that further improvements could be made in this area, but it was highlighted that the number of retirements active cases were comparatively low meaning that a small drop in performance greatly impacted performance percentages.

- 80% of bereavement cases were currently being processed on time, with cases that included a beneficiary being prioritised.

- The Fund had a significant increase in its Helpdesk wait times with performance of 10 minutes 29 seconds in January, 10 minutes 4 seconds in February and 6 minutes 19 seconds in March, all of which were above the target time of 4 minutes. However, since implementing a new call handling system in March which improved call routing and providing additional training to staff, call times had decreased in recent months assisted by a reduction in call volumes compared to earlier in the year.

- Regarding The Pension Regulator (TPR) data scores, as at 31 March 2023, common data had a total accuracy rate of 96.5% whereas conditional data had total accuracy rate of 89.6%. In addition to quarterly updates, a 12 month rolling trend was being monitored to analyse how data scores moved. The Board were also informed that LPPA were developing a data strategy regarding data controls and the management of data which would be provided to the Board.

After the verbal update, the Chair invited questions from Board Members, with questions and responses summarised below:

- In highlighting the poor performance during quarter four in processing transfers out and refund cases, members were advised that performance during quarter one was 96% for refunds and 87% for transfers out.

- Regarding the expectations of future performance, the Board were informed that performance was now more stable, with mitigations implemented including initiatives to address staff turnover, training and development. In summary, confidence was expressed that performance should not dip significantly below contractual SLA targets.

- In response to a question relating to the increase in complaints, the Board heard that the majority of complaints were largely due to delays resulting from the spikes in workload that occurred during the UPM migration. The Board were reassured that the complaints team were analysing complaints and the improvements in performance were hoped to reduce the number of complaints being received.

In turning the Board's attention to section 4 of the report, relating to annual benefit statements (ABS), Sawan Shah explained that scheme employers were required to submit an end of year return in order to be able to produce an ABS. Once returns had been submitted, queries needed to be resolved by 31 August each year. The Board were informed that both the Fund and LPPA monitored submissions and outstanding enquiries, with the latest update showing that 10 employers had not submitted their end of year return. While the number of outstanding returns were higher than the Fund would ideally want, it was a significant improvement from last year and the Fund had been in contact with the remaining employers and were confident that the statements would be submitted within the deadline.

In thanking Sawan Shah for the update, the Chair welcomed questions from the Board, with questions and responses summarised below:

- In response to a query regarding the attendance of the year end training sessions, members were informed that the exact attendance numbers could be provided after the meeting, but the Board were reassured that the largest payroll providers attended.

- To notify employers where payroll providers had not yet submitted a return, senior staff members in the relevant organisations had been contacted.

- In providing the updated figures regarding the ABS submissions, the Board noted that the outstanding employers were generally the smaller employers, with 98% of statements issued to deferred members and 80% of statements issued to active members as of 21 July. It was also explained that LPPA had launched a facility that enabled employers to submit monthly returns which was said to improve the flow of data between LPPA and employers. Whilst the facility was still new, LPPA received 43% of expected files in April, 39% in May and 32% in June, which was said to be above average compared to other pension funds.

- The Board heard that the move from a yearly return to monthly returns would be a positive step for the Fund, as issues could be resolved faster and more proactively as communication between employers and the Fund would be more regular. However, it was stated that the number of employers submitting monthly returns needed to increase.

As there were no more contributions from the Board regarding ABS's, the Chair thanked Sawan Shah and John Crowhurst for the update and asked that members were updated at the end of August on the number of statements issued ahead of the Board meeting in November.

In moving to the third and final topic of the agenda item, concerning regulatory projects, Sawan Shah advised the Board that the pension's dashboard had been paused until further notice by the Department of Work and Pensions to allow for a more achievable timeline for the platform to be established. Furthermore, the regulations arising from the McCloud case were expected to come into force on 1 October 2023, with LPPA continuing to work alongside the UPM system provider Civica to develop and implement functionality for the McCloud remedy throughout 2023. LPPA had also issued emails to employers in relation to data requirements for the McCloud exercise.

In providing a verbal update on the progress regarding the McCloud remedy, John Crowhurst informed members that functionality testing was currently on track and employers had been surveyed to confirm their information. Whilst some responses had been received, LPPA were arranging follow up communications imminently. Concerning LPPA's preparedness for the enforcement of the regulations, further training on McCloud was being prepared and the Fund were regularly updated in monthly meetings.

As there were no further questions from Members, the Chair thanked John Crowhurst for the update, and it was **RESOLVED** that the report be noted.

6. **Chair's Annual Report**

The Chair presented a report that reviewed the work carried out by the Board throughout the last year. To begin, the Chair thanked members and officers for their work and commended the following achievements of the Board during 2022/23:

- The excellent response of officers and partners to the demands of the Triennial Valuation, including the encouraging results.
- The level of service provided, and quality of the data maintained on the funds membership, despite the disruption caused by upgrading the administration system.
- The issuing of annual benefit statements to all members before the statutory deadline of 31st August 2022.

The Chair advised that the above achievements had been repeated in error within section 3.3 of the report, covering issues that required focus looking forward. As a result the Board was advised that whilst 2022/23 had been recognised as a good year, there were a number of issues identified as needing to be addressed looking forward, which were recognised as follows:

- The level of service being provided to the members of the fund which, although generally within target, still had some areas that required improvement.
- The quality of the data held which, although greatly improved, still required additional work.

- Although the level of funding for the 2022 Fund Valuation showed an improved level of funding, standing at 87% which was up from 78% in 2019 and 55% in 2016, this was still considered low.

In thanking the Chair and officers for their work during a challenging year, the Board **RESOLVED** to note the report.

7. **Communications Policy**

George Patsalides (Finance Analyst, Brent Council) presented the report, which provided the Board with the revised Communications Policy for the Brent Pension Fund. It was explained that the Communications Policy was designed to ensure that all key stakeholders were kept informed of developments within the Pension Fund and through the appropriate medium. As the Policy was last updated in 2019, it was deemed an opportune time to update the statement, with officers considering any relevant changes within the LGPS in addition to providing further clarification on employer responsibilities. The Board noted that the full Policy was attached in Appendix 1 of the report, with the following changes to the document:

- Updates had been made throughout the document to account for the move from Altair to Civica's UPM and LPPA's PensionPoint self-service.

- An update had been made to include Section 7, which listed relevant staff contact details for members to direct queries and receive support.

The Chair then welcomed contributions from members, with the subsequent questions and comments raised:

- In response to a question regarding the responsibility for implementing the Communications Policy, the Board were advised that the main responsibility fell within the Finance team.

- Members highlighted that some sections of the document still referenced the old Altair system, with officers reassuring the Board that required corrections would be made.

With no additional comments from members, the Board **RESOLVED** to note the updated Communications Policy outlined in Appendix 1 of the report.

8. **Pensions Administration Strategy**

George Patsalides (Finance Analyst, Brent Council) introduced a report that detailed the revised Pensions Administration Strategy for the Brent Pension Fund. The aim of the strategy was to ensure that both the Fund and its employers were fully aware of their responsibilities under the Scheme and to set acceptable levels of performance. The Strategy was last updated in 2021 and thus it was necessary to review the document to ensure it was best placed to achieve its aims. As the delivery of the administration service relied on joint working between a number of stakeholders, the Board heard that it was imperative that the Fund consulted with stakeholders to promote good working relationships, improve efficiency and ensure agreed standards. Consequently, consultation would commence following the Board meeting, in which a draft strategy would be sent to employers and presented at the employer forum in November 2023 for feedback. In concluding their introduction, George Patsalides outlined the key changes to the Strategy:

- An update had been made to Section 3.3, Administering Authority Functions, which outlined the new KPIs and timescales to which tasks must be completed.

- Updates had been made throughout the document to account for the move from Altair to Civica's UPM and LPPA's PensionPoint self-service.

- An update had been made to Section 4, Staff Charging Schedule, to reflect inflation as well as updated costing measures.

Following the introduction of the report, the Chair opened the discussion to Board members, with questions and responses summarised below:

- In providing the context as to why the Fund had not levied charges against employers for non-compliance, the Board were advised, as explained within the report, that the preferred approach was to work with and support employers through additional training and engagement and the levying of fees therefore regraded as a last resort. It was, however, retained as a measures that could be used within the Strategy and formed part of The Pension Regulator's best practice guidance.

- Regarding consultation on the Strategy, the Board noted that the main stakeholders were employers, who were being consulted through a number of methods, with the other stakeholders largely being members of the Pension Board.

With no further contributions from members, the Board **RESOLVED** to note the revised Pension Administration Strategy and planned consultation with employers.

9. **Risk Register**

Carlito Rendora (Finance Analyst, Brent Council) presented the report, which updated the Board on the Risk Register, attached as Appendix 1 of the report, for the Brent Pension Fund Pensions Administration Service. The Board were advised that no new key risks were added to the Register and updates to the document were detailed in paragraph 3.6 of the report, which included renaming the impact of covid-19 to the impact of future pandemics and updating review dates.

In thanking Carlito Rendora for the overview, the Chair welcomed questions and contributions from Board members. Contributions, questions, and responses were as follows:

- The Board commented that the risks to the Fund were comparatively lower than corporate risks to the Council, with the highest risk relating to annual benefit statements.

- Regarding the impact that strikes would have on the Fund, the Board were advised that cash flow may be impacted in the short term, however, the long-term impact would be minimal. Furthermore, it was explained that strike action would not count towards an individuals pension contributions unless it was bought back, which was optional. Potential impacts on an individual's pension could be explored using LPPA's online pension calculator.

- In response to a query concerning how employers managed data security, members were informed that employers had their own risk registers regarding data security. However, the Fund could consider asking employers to evidence their data security requirements.

- Regarding potential risks arising from Artificial Intelligence (AI), the Board heard that the private sector often led on technological innovations such as AI, although the Fund and LPPA were planning on implementing further automation to assist with common queries from Scheme members and to direct customers to self-help guidance.

- In response to a question on the impact that pension opt-outs had on the Fund, it was explained that officers regularly undertook cashflow modelling to review the impact of changes within the membership. Officers had noticed that since the cost-of-living crisis there had been an increase in opt-outs, however, the number of opt-outs were relatively small and the impact was not considered as significant.

- Officers noted the comments by the Board regarding references to the old Altair system.

- In response to a query concerning the necessity of including the risk relating to future pandemics and the suggestion of including risks relating to climate change, members were advised that the impacts of covid-19 were still ongoing and thus it was recommended to include the risk relating to pandemics. Officers also noted the suggestion on including risks relating to climate change.

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

10. **Local Government Pension Scheme Update**

Sawan Shah introduced a report that provided 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:

- On 30 March 2023, the Department of Work and Pensions (DWP) published its 2023 review of the State Pension age. The State Pension age was currently age 66 and was planned to rise to age 67 between 2026 and 2028, before rising again to age 68 between 2044 and 2046.

- On 29 March 2023, the Scheme Advisory Board (SAB) published a report on the gender pensions gap in the LGPS from the Government's Actuary department. The report provided an initial overview of the gender pensions gap in the LGPS, based on data from the 2020 scheme valuation. The report showed that the difference between men and women as to their accrued benefits in the Local Government Pension Scheme was 34.7% for benefits in the reformed CARE scheme and 46.4% for benefits in the legacy final salary scheme (in favour of men). However, the Board noted that the findings needed to be interpreted with caution and further work would be undertaken to understand the data and investigate causes, in addition to considering possible next steps.

- The Department for Levelling Up, Housing and Communities (DLUHC) published its consultation on proposals relating to the investments of the LGPS on 11 July 2023. This consultation sought views on the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The Board were informed that a summary of the proposals was included in Appendix 1 of the report and the consultation would close on 2 October 2023.

Following the update, members were invited to raise any comments or questions, with questions and responses summarised below:

- The Board requested that a report regarding the consultation on the proposals relating to investments be presented at the next Board meeting on 8 November.

- Regarding the impact that the increase of the state pension age would have on the Fund, members were informed that the Pension Scheme was linked to the state pension age, meaning that an increase in the state pension age increased the date on which members were entitled to an unreduced pension.

- In response to a request to annually update the Board on the gender pension gap, the Board were informed that officers could explore the obtainability of the data and if accessible then updates could be provided. If the data could not be obtained, members would be updated when possible, using data from the Scheme Advisory Board.

- In light of the Government proposal to require a 10% allocation in UK private equity, the Board heard that the Fund were currently running down their allocations in private equity and no new allocations had been made in recent years. If the proposals were to be enacted, the Fund would have to re-evaluate its investment strategy. Moreover, it was explained that the consultation showed that the Government wanted UK investments to drive domestic growth, which could pose a challenge to the Fund as UK investments would need to be identified that met the Fund's risk/return levels.

In thanking Sawan Shah for the update, the Board **RESOLVED** to note the recent developments in the LGPS, as detailed within the report.

11. **Investment Monitoring Report – Quarter 1 2023**

Before moving on to remaining items on the agenda the Chair reminded Board members that agenda items 11, 12, 13, 14, and 17 were reports referred to the Pension Board for information following their consideration at the Brent Pension Fund Sub-Committee.

The Board received an update on the Brent Pension Fund Quarter 1 Investment Monitoring Report, which reviewed the Fund's performance over the first quarter of 2023. Members noted that the key headline was that the value of the Fund increased by 2.7% over the quarter, largely due to the strong performance in global equities. Performance over a 3 year period was also said to be positive, outperforming the benchmark and growing 8.7%.

In noting that the report had been subject to detailed review at the Brent Pension Fund Sub Committee on 27 June 2023 and covered monitoring performance up to 31 March 2023, the Board **RESOLVED** to note the Quarter 1 Investment Monitoring Report without any further detailed comment.

12. **Investment Strategy Update**

The Board received a report which provided an update on the steps taken to transition to the investment strategy agreed at the Brent Pension Fund Sub-Committee meeting on 20 February 2023 In response to a query regarding targets to reduce carbon emissions, the Board were advised that the Fund was undertaking a market review of its main global equity holding to determine whether the Fund could continue to access global equity markets whilst also achieving a reduction in its carbon emissions. A workshop with Sub-Committee members was planned to develop a framework with the view of selecting one or two funds to replace the current LGIM global equity mandate.

With no further issues raised it was **RESOLVED** to note the update as presented to the Brent Pension Fund Sub Committee on 27 June 2023.

13. **Draft Pension Fund Year End Accounts 2022/23**

The Board received a report that presented the draft Pension Fund Annual Accounts for the year ended 31 March 2023. The Board were informed that total contributions received from employers and employees was £68m for the year, an increase on the previous year's £64m. Moreover, total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £48m, an increase on the previous year's £47m. Overall, the pension fund was in a positive cash-flow position because its contributions exceed its outgoings to members. To conclude the update, members were advised that the accounts had not been formally published, with auditors currently undertaking fieldwork. Although no issues had arisen at the time of meeting from the fieldwork, the Board would be informed once the audit had been completed, with the approval of the accounts resting with the Council's Audit and Standards Committee.

Following the update, members were given the opportunity to raise any comments or concerns, with questions and responses summarised below:

- In response to a question concerning whether there had been an increase in requests for early drawdown and what impact this had on the Fund, members heard that an increase in early retirements occurred at the start of the pandemic, but the cost-of-living crisis was now likely delaying retirement for many. The Board also noted that upon early retirement yearly payments were reduced to reflect the payments occurring over a longer period of time. Whilst recognising that a large increase in early retirements would negatively impact the Fund's cashflow position, officers regularly monitored cashflow and the likely impacts of numerous scenarios. Thus, the current impact of early drawdowns was not significant.

In thanking the efforts of the Finance team for ensuring that the Fund's accounts were successfully submitted for audit on time, the Board **RESOLVED** to note the report.

14. **Local Authority Pension Fund Forum Engagement Update**

The Board received an update on engagement activity undertaken by the Local Authority Pension Fund Forum (LAPFF) on behalf of the Fund. It was explained that the Fund's commitment with LAPFF and its work demonstrated commitment to Responsible Investment and engagement as way to achieve its objectives.

The Board **RESOLVED** to note the update provided without any further comment.

15. **Meeting Dates for 2023/24**

The Board noted that the provisional dates for the next meetings were as follows, with meetings (at this stage) scheduled to continue online:

- Wednesday 8 November 2023 at 6pm
- Monday 25 March 2024 at 6pm

16. **Exclusion of Press and Public**

At this stage in proceedings the Pension Board was asked to consider whether they wished to exclude the press and public for consideration of the final report on the agenda. Given the following item had been submitted for information and it was felt that it could be considered without the need to disclose any information classified as exempt it was **RESOLVED** not to exclude the press and public from the remainder of the meeting.

The meeting then continued in open session.

17. **London CIV Update**

The Board received and noted, without further comment, a report that provided an update on recent developments regarding Brent Pension Fund investments held within the London CIV

18. **Any Other Business**

Before closing the meeting, the Chair requested that officers explore whether future dates of meetings could be planned around the monitoring periods of quarterly updates to ensure that the data was more recent and therefore relevant.

The meeting closed at: 7:14pm

MR. DAVID EWART
Chair

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