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Brent Pension Fund Sub-Committee

Wednesday 21 February 2024 at 6.00 pm
Conference Hall – 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) Mitchell (Vice-Chair) Kansagra Choudry Hack Miller Kennelly	Dixon, Ethapemi, Mahmood and Shah Councillors Maurice and J Patel

Non-Voting Co-opted Members

Elizabeth Bankole	Brent Unison Representative

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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

The following item(s) are not for publication as they relate to the following category of exempt information set out below, as specified under Part 1 Schedule 12A of the Local Government Act 1972:

Agenda Item 6: H2 2023 Investment Monitoring Report (Appendix 2 Manager Rating)

This appendix has been classified as exempt under Paragraph 3 of 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)"

To consider the exclusion of the press and public from the remainder of the meeting as the remaining reports to be considered contain 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)"

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Brent

LONDON BOROUGH OF BRENT

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

PRESENT: Councillor Johnson (Chair) and Councillors Choudry, Mahmood, Miller, Kennelly, Kansagra and Elizabeth Bankole.

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

1. **Apologies of Absence**

The Committee received apologies of absence from Councillors Mitchell (Vice-Chair) and Hack.

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

The following interests were declared at the meeting:

- Councillor Johnson declared that he was an ex Council officer, and as such was a member of the Pension Scheme. In addition to this, Councillor Johnson was currently the Vice-Chair of Governors at Chalkhill Primary School, in which the school were members of the Pension Scheme.

3. **Minutes of the Previous Meeting**

RESOLVED: That the minutes of the previous meeting held on 27 June 2023 be approved as an accurate record of the meeting.

4. **Matters Arising**

None.

5. **Deputations (if any)**

No deputations were received.

6. **Investment Monitoring Report – Quarter 2 2023**

Kenneth Taylor (Senior Investment Analyst, Hymans Robertson LLP) presented the report, which outlined the performance of the Brent Pension Fund over the second 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 £1,125.7m up from £1,116.4m at the end of Q1 2023. Comparing the

Fund’s performance against the benchmark over the quarter, the Fund had underperformed by 1%, returning 0.5% vs the target of 1.5%. Nevertheless, when focussing on performance over the last three years, the Fund had overperformed the benchmark by 0.5% which was said to be encouraging. 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. In addition, the cash held by the Fund increased over the period to £29.4m.

Focussing on the Fund’s underperforming assets, the Committee were informed that the managers of Multi-Asset Funds, which were Ruffer and Baillie Gifford in the case of the Brent Pension Fund, had discretion to invest in a wide range of assets. Recently, managers had moved to a defensive position, reducing allocations to equities and moving to bonds. At the time of the meeting, this approach had not resulted in performance gains, as bonds had fallen and equities had risen. Whilst the long-term performance of Ruffer was said to be more credible, the long-term performance of Baillie Gifford was considered disappointing. However, members were reassured that action had been taken to improve the performance of Baillie Gifford as London CIV had placed Baillie Gifford on ‘enhanced monitoring’ and confidence had been gained from recent conversations with Baillie Gifford.

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, the Fund was in the process of selling circa 6% of its equities holdings to purchase bonds assets in order to rebalance the Fund’s risk vs return profile. Members were advised that, whilst bond values were currently in decline, the lower price made bonds a more attractive investment which was the rationale behind purchasing bonds. Regarding the Fund’s income assets, the Committee noted that the Fund was looking to broaden its investments in property, infrastructure and private debt, with the majority of these types of investments currently concentrated in the aforementioned Multi-Asset Funds managed by Ruffer and Baillie Gifford.

Concerning manager performance, Kenneth Taylor detailed that the LGIM Global Equity fund continued to provide positive returns, registering double digit performance over the last 12 months. Given its positive performance and sizeable allocation of circa 45%, the LGIM Global Equity Fund was the largest contributor to performance over the quarter. However, the performance of global equities 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. Furthermore, despite negative returns posted by the Capital Dynamics Infrastructure and LCIV JP Morgan Emerging Market Equities Fund, these mandates had allocations of circa 2% and circa 4% respectively of the total Fund, and hence did not significantly detract materially from the Fund’s overall performance.

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

- In response to a query as to why data was missing relating to the previous quarter for the Fund's three infrastructure holdings, the Committee were informed that these investments were long-term investments and thus it was better to assess their performance over a longer period of time. It was explained that assessing performance on a quarterly basis could illustrate high volatility which could be misleading.

- In questioning the intention to reduce the Fund's allocations to the LCIV Ruffer and Baillie Gifford Multi-Asset holdings and redirect assets to specific asset classes such as infrastructure and property, the Committee were advised that this was consistent with the Investment Strategy Review approved by the Committee in February 2023.

- Regarding the planned reallocation of circa 6% the Fund's global equities holding to bonds, members heard that the Fund would invest into a bond fund who specialised in individual bonds. Currently, the intention was to invest in gilts which was explained to be a mix of government bonds spanning different periods of time. In the medium term, bonds helped balance the Fund's exposure to risk, but members were advised that different bonds were available such as corporate bonds. However, whilst corporate bonds could deliver high returns, they came with higher risk. A workstream to identify the best long-term bonds investments was suggested as a possibility by Hymans Robertson.

- In discussing the strong performance of Japanese equities, it was explained that the main driver of the performance was the change in the value of yen comparative to other currencies.

- In response to concerns regarding the poor performance of the Capital Dynamics Infrastructure holding, the Committee were informed that the poor performance was due to a number of clean energy investments in the US and the intention was to allow this holding to 'run off' as the assets were not particularly sellable. Whilst recognising that it may take some time for the holding to completely expire, income would be redistributed to other assets upon the expiry of the holding. Despite the poor performance of the holding in percentage terms, it only constituted 0.2% of the overall Fund and therefore the monetary impact on the Fund was deemed negligible.

- In highlighting that the technology sector was seeing large growth, members queried whether it was better to invest further in the technology sector rather than investing in property. In response, members heard that companies such as Nvidia and AI related holdings had performed well during Quarter 2. However, the decision of where to invest related to the diversification of the Fund, in which it was explained that it was preferable to invest in a range of asset classes and sectors in order to ensure the Fund's protection. Whilst the Committee noted that the Fund held technology stocks, as many of the top holdings in global equities were companies such as Google and Amazon, and the Fund would continue to invest in the technology sector, the importance of diversification was reiterated to mitigate against poor stock market performance, and it was outlined that the Fund would look to invest in property as it was agreed in the Investment Strategy in February 2023.

- In discussing the role of London CIV and the recruitment of managers, the Committee were advised that London CIV were an umbrella organisation that identified managers and asset classes for local authorities in London. It was explained that London CIV had monitoring responsibilities for the performance of their funds and intervened, when necessary, which was illustrated in the steps taken by London CIV in relation to the Baillie Gifford Multi-Asset fund in which the fund was placed on enhanced monitoring and engagement was undertaken to improve performance.

- As the Committee met every four months, and in highlighting the impact of inflation on members' pensions, the Committee requested for further attention to be placed on shorter term issues and for performance information to be presented with a narrative that put the data into context. In response, members were informed the sector as a whole had outperformed inflation in the long-term, with the LGPS being a success story over the last 20-30 years. However, in the previous 12 months to 2 years it was detailed that the majority of asset classes had trailed inflation. The Committee noted that officers would explore providing this data for future meetings.

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. **Brent Pension Fund: Annual Report and Accounts 2022/23**

George Patsalides (Finance Analyst, Brent Council) introduced a report that provided the Committee with an update on the Pension Fund Annual Report and Accounts for the year ended 31 March 2023 and the draft Investment Strategy Statement (ISS). At the time of the meeting, it was detailed that the audit fieldwork was substantially complete, with the auditors now working on completing their closing procedures and final reviews.

In addition to the standard audit, the Pension Fund had been subjected to a hot file review in 2022/23, which featured a detailed review of the accounts and audit working papers by a specialist team. The purpose of such a review was to identify any key issues which needed to be addressed before final completion. The review was positive for the Fund and did not result in any substantial changes, with only minor presentational changes to the accounts.

Members were also informed that the updated draft ISS was attached as Appendix 3 of the report, with the Council required to update the Statement every three years as per Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016. Members noted that the updated ISS reflected the revised Investment Strategy agreed at the February 2023 meeting.

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

- Regarding the overall decrease of the value of the Fund by £12 million compared to the end of 2021/22, members were informed that this was discussed at the previous Committee meeting in June in which it was explained that the majority of asset classes had struggled in 2022/23, with the exception of alternatives such as infrastructure assets. The Committee were reassured that the decrease in the overall value of the Fund was not a major worry, with the Fund significantly increasing in value over the past few years.

- In response to a query on the recent poor performance of the Fund following the coronavirus pandemic, the Committee were advised that the economy had not been stable since 2019, with economic shocks caused by the pandemic, war in Ukraine and the 'mini boom' following lockdown which resulted in interest rates rising.

- In discussing the small decrease in administration costs compared to 2021/22, members noted that this decrease was due to the completion of data cleanse projects. During 2020/21 and 2021/22, the data cleanse project was in phase 2 which was completed by 2022/23.

In thanking the Finance team for their work regarding the signing off of the Fund's accounts and recognising that, although the Fund had performed better in recent years, the Fund was in a healthy position, the Committee **RESOLVED** to:

(1) Note the draft accounts included as part of the annual report.

(2) Note the draft Brent Pension Fund Annual Report 2022/23 which would be published as set out in paragraph 4.4 of the report.

8. DLUHC Consultation on LGPS Investments

Sawan Shah (Head of Finance, Brent Council) presented the report, which outlined the Department for Levelling Up, Housing and Communities (DLUHC) consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS), covering the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. The Committee noted that the consultation closed prior to the meeting, on Monday 2 October, with officers submitting a formal response on behalf of the Council which had been circulated to all Sub-Committee members.

Regarding asset pooling, members were informed that the government had proposed to accelerate and expand pooling, with March 2025 being considered as the deadline for asset transition. Furthermore, it was also proposed to transition towards fewer pools to maximise benefits of scale, with pools operating as a single entity which acted on behalf of and in the sole interests of the partner funds. In addition to asset pooling, it was proposed to strengthen existing guidance on delegation of manager selection and strategy implementation, that administering authorities set a training policy for committee members and to report regularly on the training undertaken by committee members, to amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK and to require funds to invest 10% of their assets in private equity.

Overall, the Committee were advised that officers were generally supportive of increased pooling and recognised the benefits such as fee savings and greater access to certain asset classes that increased pooling offered. However, members noted that a number of concerns had been raised regarding the proposals, which were widely shared across local government and are summarised below:

- The proposed deadline for the pooling of listed assets of March 2025 was considered challenging.

- As it would be difficult to transfer passive or index-tracking assets by the proposed deadline without incurring significant transaction costs and higher ongoing charges, concerns were raised that these assets would not be classified as 'pooled'.

- It was believed that funds should retain responsibility for setting asset allocations and therefore any ambitions regarding asset allocations should be guidance rather than a requirement.

- The resource burden surrounding the requirements for publishing plans/reporting was highlighted.

- The ambition or requirement to invest 10% of asset allocation into private equity was not supported as many funds were fully funded and thus there was less need to take risk and the requirement contradicted other parts of the proposals which stated that funds would retain control of their investment strategies.

With the Chair opening the floor for contributions from the Committee, the following discussion took place:

- The Chair outlined that at the London CIV Annual Conference held on 4 and 5 September 2023, the aforementioned concerns were widely shared, particularly concerning the requirement to invest in private equity and the implementation of pooling by March 2025.

- Regarding next steps, the Committee were advised that funds were awaiting a response from DLUHC, and it was expected that an additional consultation would be held concerning the draft legislation. However, it was explained that if the regulations were not in place for April 2024, it would be difficult to meet the proposed deadline of March 2025.

- In highlighting the focus on the reporting related to the Task Force on Nature Related Financial Disclosures (TNFD) and the Task Force on Climate Related Financial Disclosures (TCFD) at the LCIV Annual

Conference, members heard that the requirement to report these disclosures was still a number of years away.

With no further contributions, the Chair thanked officers for the report and the Committee **RESOLVED** to note the consultation on proposals relating to the investments of the LGPS and the summary included in section 3.2 of the report.

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

Sawan Shah (Head of Finance, 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. It was explained that the partnership with LAPFF demonstrated the Fund's commitment to Responsible Investment (RI) and utilising engagement as a way to achieve its objectives.

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

- 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.

- 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 52 percent of the shareholder vote.

- 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.

- LAPFF raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

- 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.

- LAPFF had issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies. In LAPFF's experience, US companies did not have a culture of engaging with investors in the way that UK and Australian companies did. Therefore, while voting alerts were part of an engagement escalation strategy in most markets, LAPFF often issued voting alerts as an initial point of engagement. LAPFF continued to have concerns about corporate governance and social practices at large US technology companies.

- 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 them.

- LAPFF undertook engagement with National Grid to ensure that the company remained at the forefront of the energy transition. Detailed analysis revealed substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition. LAPFF's leadership held meetings with the company, giving National Grid the chance to explain its concerns and suggest best practice. National Grid had acknowledged some of LAPFF's comments and 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. National Grid had also publicised a policy proposal for addressing the delays in grid connection which was a welcomed development.

- Overall, LAPFF engaged 84 companies during quarter 2.

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

10. **Presentation from PIRC Investment Benchmarking – Performance to March 2023**

As Karen Thrumble from PIRC had provided their apologies for the meeting, Sawan Shah (Head of Finance, Brent Council) introduced the report, which outlined the findings of Pension and Investment Research Consultants regarding the Fund's performance as of March 2023. The Committee noted that PIRC were a benchmarking company who compared the performance of the Brent Pension Fund to the performance of other local authority pension funds in the country, with approximately 60 out of 85 local authority funds included in the benchmarking.

In reviewing performance by asset class over the last year, members were advised that alternative investments, such as private equity, infrastructure and private debt, were the only assets to deliver positive returns. Furthermore, equity performance was flat, with most active managers failing to add value, bond performance was deeply negative, and property saw a strong decline in value.

Comparing the performance of funds across the country against their individual set benchmarks and their relative performance against over funds, it was detailed that three quarters of funds had underperformed relative to their strategic benchmark, which included Brent. However, only one London Fund had outperformed their benchmark and Brent performed second-best out of London funds across the previous year. Funds that had large investments in alternative assets, such as funds within LPPI and the Northern Pool, outperformed their benchmark due to the strong performance of alternative assets.

Members heard that the LGPS, as a whole, returned 8.4% per year over the last 20 years, with the sector outperforming inflation over the long-term. The positive performance was largely driven by equities, which contrasted the negative performance of bonds which had delivered a return below inflation over the last 10 years. In highlighting the recent poor performance of property, the Committee were informed that funds had largely invested in commercial property rather than residential property, which had performed poorly. Whilst the Brent Pension Fund had been historically undervalued in property, the Fund was awaiting an allocation in property as per the revised Investment Strategy.

In detailing the asset allocation across the whole sector, the Committee noted that funds had reallocated 12% of total assets from equities into alternatives over the last decade, with equities decreasing from 63% of assets in 2014 to 51% in 2023 and alternatives increasing from 8% of assets in 2014 to 19% of assets in 2023. In addition, 2016/17 was a pivotal year as funds moved from regional equities to global equities.

It was explained that over time funds had become more complex, with the average number of mandates per fund increasing from 7 in 2008 to 16 in 2023 and a general decline in passive management with an average of 16% of assets being managed passively in 2023, a decrease from 26% in 2018. It was stated that funds continued to believe in active management despite the evidence of poor returns, although Brent was an outlier with 57% of assets being managed passively which kept costs down and reduced risk.

In focussing on the performance of the Brent Pension Fund, the Fund returned -2.6%, which ranked in the 38th percentile. The top three funds were in the LPPI pool, with London funds generally performing poorly. Moreover, the largest funds performed the best, with 6 out of the top 7 performers having a value of over £5 billion, resulting in the median return over the year being -3.3%, lower than the average (mean) return of -1.6%, with the average (mean) return being skewed due to the overperformance of large funds. Members were advised that the Brent Pension Fund had a higher allocation to equities and diversified growth compared to the sector average, although the Fund had a lower exposure to bond, alternatives and property. However, the Fund's asset allocation did not have a major impact on performance, with a broadly neutral impact on relative performance.

In terms of returns, the fund had a below average return in most asset classes, with the poor return from bonds having the largest impact on the Fund (the Fund ranked in the bottom decile comparative to other funds bonds holdings), suffering from holding long-dated linked securities. Furthermore, the long-term performance of the Fund was detailed, with the Fund performing close to the average over the past 5 years, ranked in the 48th percentile. The Fund's performance over the past 5 years was a vast improvement over the performance of the Fund over the last 20 years, with the Fund sitting in the bottom percentile of funds over the previous two decades. The main driver of the strong recent performance had been equity selection and the positive performance of equities. Nevertheless, the high commitment to diversified growth had been a detriment to the Fund's overall performance.

Having thanked Sawan Shah for the overview, the Chair invited questions and comments from members, which are summarised below:

- Given the poor performance of bonds over the previous decade, members raised concerns regarding the Fund's intention to invest further into bonds and queried whether there was any evidence to suggest that bonds were now performing better. In response, the Committee were advised that bonds had been at an all-time low since the 2008 financial crash and the low interest rate landscape that the recession created. However, recently the performance of bonds had improved due to rising interest and yields were approximately 5% – 5.5% compared to 0.5% during the pandemic. Overall, the poor performance of bonds over the previous decade was attributed to historically low interest rates following the 2008 financial crash.

With no further questions or comments, the Chair thanked officers for their work in delivering the overview and the Committee **RESOLVED** to note the update.

11. **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 informed 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 July 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 explained that administration performance had recently improved, although the Pension Board deemed that there was room for further improvement. In addition to reviewing administration performance, the Board considered the updated Communications and Administration Strategy, with members approving both documents. Furthermore, the Board reviewed the Pensions Risk Register, with Mr Ewart recommending that the Sub-Committee received the Risk Register for their information. Lastly, the Board considered the reports from the June Pension Fund Sub-Committee meeting, in which it was stated that the Board were in agreement with the Sub-Committee regarding their decision-making.

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 24 July 2023.

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 reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely:

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

13. **London CIV Update**

George Patsalides (Finance Analyst, Brent Council) introduced the report, which updated the Committee on recent developments regarding Brent Pension Fund investments held within the London CIV. In this iteration of the London CIV Update, the Committee received the quarterly investment review for the quarter ending 31 June 2023. In addition to the quarterly investment review, members considered subjects such as the London CIV annual conference, the UK Housing Fund and potential fee savings. Furthermore, questions were answered regarding the use of AI, the pooling of assets and the Fund's asset allocation targets.

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

14. **Any Other Urgent Business**

None.

The meeting closed at 7:27pm

COUNCILLOR R JOHNSON
Chair

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London Borough of Brent Pension Fund

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H2 2023 Investment Monitoring Report

Kenneth Taylor, Senior Investment Consultant

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Agenda Item 6

HYMANS ROBERTSON

Executive Summary

Performance Summary
The assets combined to return 6.0% over the second half of the year to 31 December 2023.

Global equities rose 7.3% over the period, largely driven by a shift in rate expectations. Markets anticipated a lower-than-expected inflation outlook, resulting in a positive impact on economic activity.

UK equities also rose 5.2% over the period. However, the UK lagged the global market due to its large exposure to the energy sector and sterling strength weighing on a high proportion of overseas earnings.

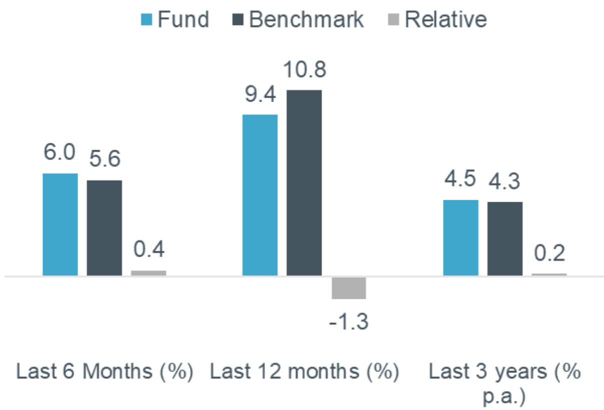
H2 also saw emerging market rise 4.7%, despite falls in Chinese equities due to mounting growth concerns.

Towards the end of Q3, the bond market fell due to expectations that interest rates may need to remain elevated for longer. However, during Q4, expectations of easing monetary policy led to strong bond performance.

Key points to note

- The Fund has posted a positive return over H2, ending the period with a valuation of £1,203.0m up from £1,125.7m at the end of Q2 2023.
- The Fund's passive global equity exposure was the main driver of positive return on an absolute basis, along with its exposure to UK equities and UK government bonds. Within the income assets, the Fund's private debt and multi-asset exposure contributed to performance on an absolute basis; however the property mandates detracted from the total Fund return.
- On a relative basis the Fund outperformed its benchmark by 0.4%. The Fund is behind its composite benchmark over the past 12 months. Over the long-term, the Fund remains slightly ahead of its benchmark.
- The cash held by the Fund increased over the period to £36.0m.

Fund performance vs benchmark/target



High Level Asset Allocation

	Actual	Benchmark	Relative
Growth	52.8%	58.0%	-5.2%
Income	29.0%	25.0%	4.0%
Protection	15.2%	15.0%	0.2%
Cash	3.0%	2.0%	1.0%

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.

The Fund's current target allocations are as follows:

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

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

Once complete, we recommend the interim targets are reviewed and updated to reflect the changes recommended in our separate strategy paper, as well as the steady reduction in the private equity allocation.

Following the quarter end, the LCIV infrastructure fund's four-year ramp up period since the first investment was made has elapsed. The fund will now enter its distribution phase and capital will begin to return to the Fund.

The LCIV private debt fund remains in the ramp up phase. We expect the Fund's commitments to continue to be drawn down over 2024.

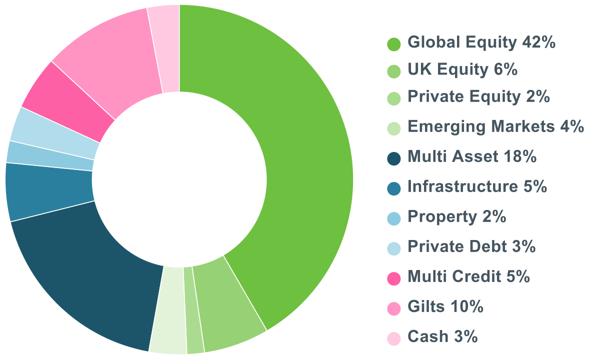
During H2, allocations to multi-asset credit and gilts were topped-up to their respective targets using £74m that was disinvested from the LGIM Global Equity Fund.

Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2023	Q4 2023			
LGIM Global Equity	508.3	468.4	38.9%	40.0%	-1.1%
LGIM UK Equity	69.5	73.1	6.1%	5.0%	1.1%
Capital Dynamics Private Equity	21.8	19.6	1.6%	5.0%	-3.4%
LCIV JP Morgan Emerging Markets	42.2	42.3	3.5%	5.0%	-1.5%
Blackrock Acs World Low Crbn	29.4	32.0	2.7%	3.0%	-0.3%
Total Growth	**671.2**	**635.4**	**52.8%**	**58.0%**	**-5.2%**
LCIV Baillie Gifford Multi Asset	121.1	126.7	10.5%	6.0%	4.5%
LCIV Ruffer Multi Asset	92.1	93.4	7.8%	6.0%	1.8%
Alinda Infrastructure	16.9	17.9	1.5%	0.0%	1.5%
Capital Dynamics Infrastructure	2.3	2.3	0.2%	0.0%	0.2%
LCIV Infrastructure	39.1	45.2	3.8%	5.0%	-1.2%
Fidelity UK Real Estate	13.8	13.4	1.1%	1.5%	-0.4%
UBS Triton Property Fund	11.4	11.0	0.9%	1.5%	-0.6%
LCIV Private Debt Fund	36.0	39.1	3.2%	5.0%	-1.8%
Total Income	**332.7**	**349.0**	**29.0%**	**25.0%**	**4.0%**
LCIV CQS MAC	42.7	60.4	5.0%	5.0%	0.0%
BlackRock UK Gilts Over 15 yrs	49.7	122.1	10.2%	10.0%	0.2%
Total Protection	**92.4**	**182.5**	**15.2%**	**15.0%**	**0.2%**
Cash	29.4	36.0	3.0%	2.0%	1.0%
Total Scheme	**1125.7**	**1203.0**	**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



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Source: Investment Managers

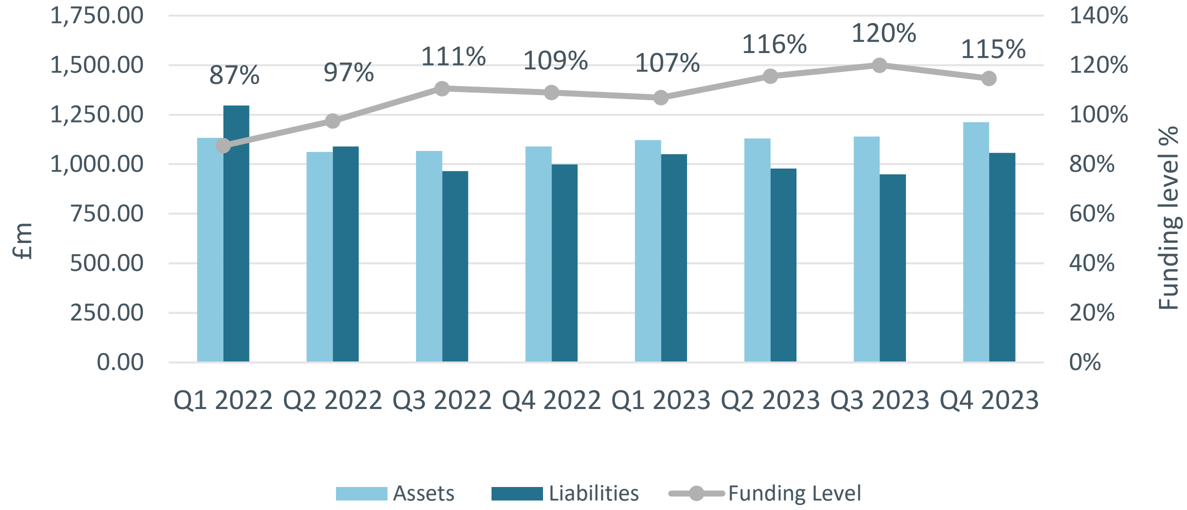
Funding position

As at 31 December 2023, we estimate the funding level to be 115%.

The graph shows the funding level has increased from 87% in Q1 2022 to 115% at the end of Q4 2023.

Please note the asset value shown (for the funding level calculation) may differ from the actual asset value as it is an estimate based on estimated cashflows. However, the estimate is consistent with liabilities, therefore gives more reliable estimate of the funding position.

Funding level progression



Latest funding level summary

	30 Jun 2023	30 Sep 2023	31 Dec 2023
Assets	1,130	1,139	1,212
Liabilities	978	949	1,057
Surplus/(deficit)	152	190	155
Funding Level	116%	120%	115%

Source: Hymans Robertson funding update report as at 31 December 2023.
Please see report for full details of approach used and reliances and limitations.

The total Fund return over the past 6 months was positive on an absolute and relative basis. Performance over the past 12 months remains slightly behind benchmark. 3-year performance remains positive, however has fallen behind the composite benchmark.

Global equities continued to provide positive returns, returning 7.6% over H2 and maintaining double-digit performance over the last 12 months.

Capital Dynamics' private equity mandate posted positive returns over H2, however fell short of its benchmark. However, it is worth noting that the allocation is in run down and represents a small allocation within the Fund.

Yield volatility remained high during Q3 and into Q4, due to higher-for-longer interest rate expectations. However, during Q4, expectations of easing monetary policy led to a decline in interest rate expectations This resulted in strong bond performance over the end of Q4. This also contributed to the performance of the LCIV Multi-Asset funds.

The property market fell over the period as income was offset by capital value declines in the retail office and industrial sectors.

Manager performance

	Last 6 Months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	7.6	7.6	**0.0**	17.5	17.6	**-0.1**	9.9	9.9	**-0.1**
LGIM UK Equity	5.2	5.2	**0.0**	8.0	7.9	**0.1**	8.7	8.6	**0.0**
Capital Dynamics Private Equity	0.4	7.9	**-7.0**	-10.7	18.4	**-24.6**	7.3	11.3	**-3.6**
LCIV JP Morgan Emerging Markets	0.3	4.4	**-3.9**	0.4	3.6	**-3.1**	-4.7	-2.8	**-2.0**
Blackrock Acs World Low Crbn	8.5	7.3	**1.2**	17.3	16.8	**0.4**	-	-	**-**
Income									
LCIV Baillie Gifford Multi Asset	4.6	3.6	**1.0**	4.7	6.8	**-2.0**	-1.3	4.1	**-5.2**
LCIV Ruffer Multi Asset	1.4	3.6	**-2.1**	-6.3	6.8	**-12.2**	3.4	4.1	**-0.7**
Alinda Infrastructure	-	-	**-**	11.8	5.9	**5.6**	17.1	8.6	**7.9**
Capital Dynamics Infrastructure	-	-	**-**	9.2	5.9	**3.0**	-10.7	8.6	**-17.7**
LCIV Infrastructure	-	-	**-**	3.1	5.9	**-2.7**	7.0	8.6	**-1.4**
Fidelity UK Real Estate	-2.7	-2.7	**0.0**	-6.9	-6.9	**0.0**	-	-	**-**
UBS Triton Property Fund	-3.1	-3.1	**0.0**	-	-	**-**	-	-	**-**
LCIV Private Debt Fund	7.4	3.0	**4.3**	3.7	6.0	**-2.2**	-	-	**-**
Protection									
LCIV CQS MAC	6.7	3.6	**3.0**	11.0	6.8	**4.0**	1.6	4.1	**-2.3**
BlackRock UK Gilts Over 15 yrs	7.6	7.9	**-0.3**	1.4	1.6	**-0.2**	-17.4	-17.3	**-0.1**
Total	6.0	5.6	**0.4**	9.4	10.8	**-1.3**	4.5	4.3	**0.2**

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
The property benchmarks return are set equal to the actual return for Q3 and Q4.

Manager Performance

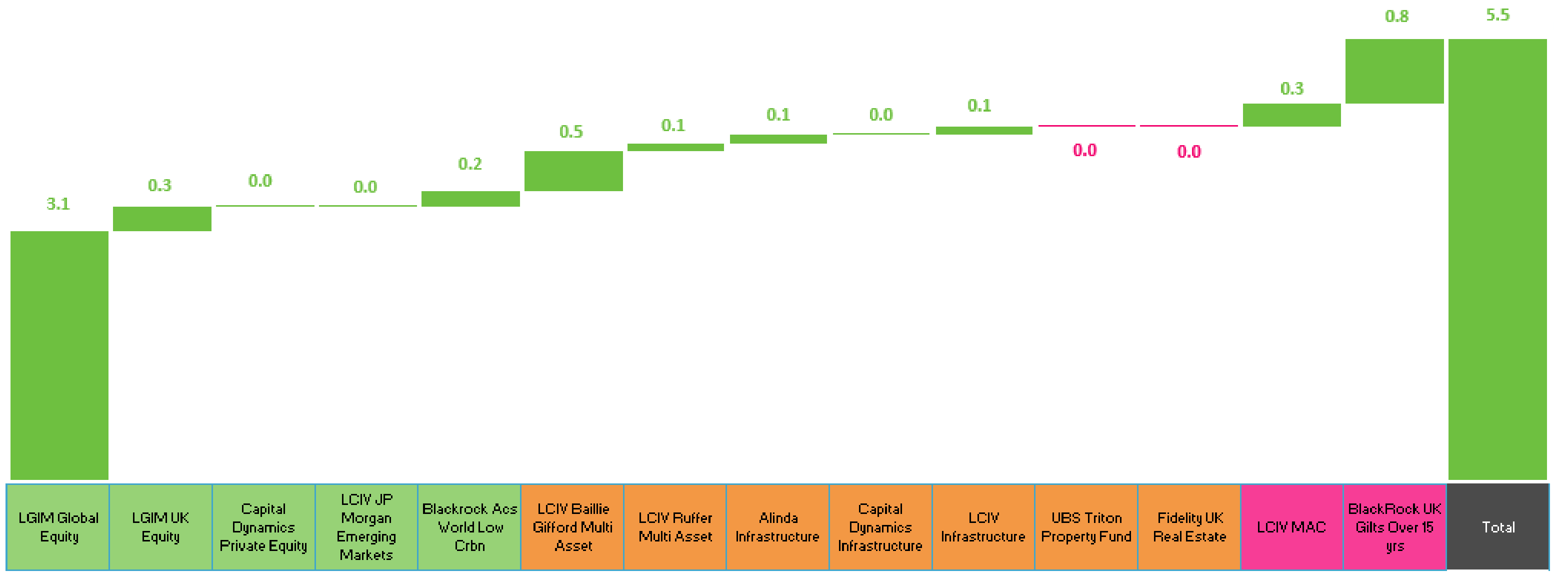
This chart highlights each mandate's contribution to the Fund's absolute performance over the second half of 2023, according to their allocation.

The largest contributor to performance over the period remains LGIM's Global Equity fund, given its positive performance and its sizeable allocation of c.40%.

The Fund also saw positive contributions to performance from the LGIM UK Equity Fund, LCIV Baillie Gifford Multi-Asset Fund and BlackRock UK Gilts Fund.

Despite negative returns posted by the UBS Triton and Fidelity UK Real Estate Funds, these mandates have relatively small allocations of c1% each, 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.

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Market Background

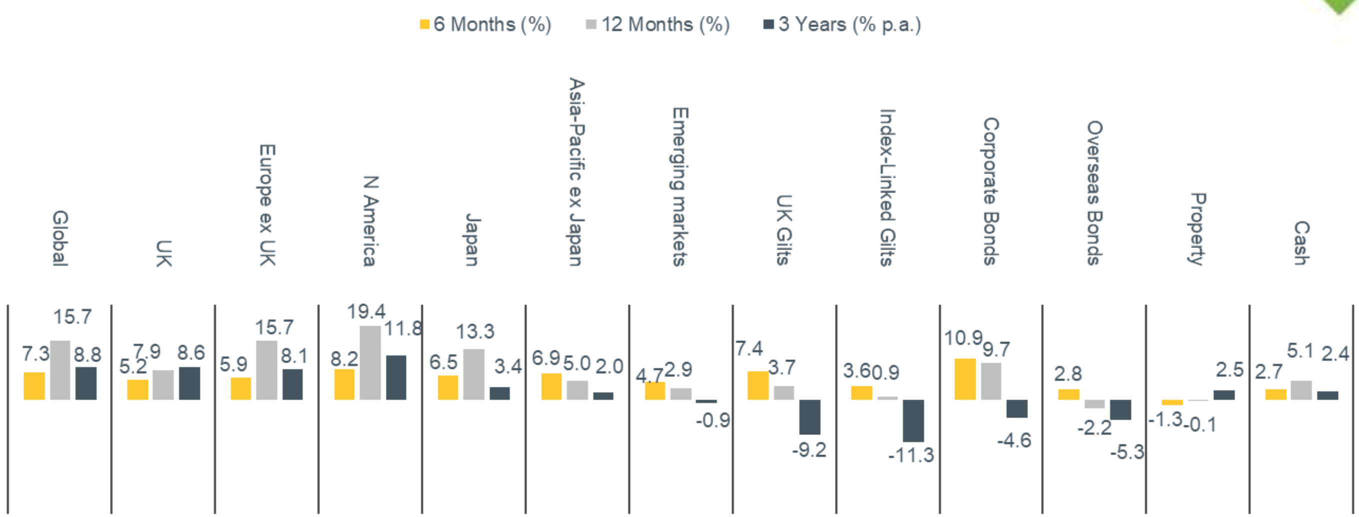
Global growth was more resilient than expected in H2 2023, as strong labour markets and fiscal support buoyed consumer spending, particularly in the US. Business surveys highlighted that activity was stronger in the labour-intensive service sector than in the capital and energy-reliant manufacturing sector. Europe has been a particularly weak spot, given the region's greater exposure to the latter.

Year-on-year headline CPI in the UK and eurozone fell to 3.9% and 2.4% in November, from 7.9% and 5.5% in June, respectively. US headline rose from 3.0% in June to 3.1% in November but was still lower than expected. Core inflation, which excludes volatile energy and food prices, fell to 5.1%, 4.0%, and 3.6% in the UK, US and eurozone.

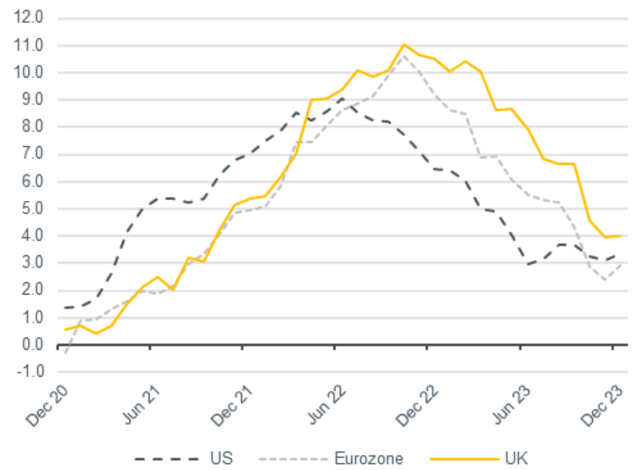
The Federal Reserve and Bank of England both raised rates 0.25% pa in Q3, to 5.5% pa and 5.25% pa, respectively, while the European Central Bank raised its deposit rate by 0.5% pa, to 4.0% pa. Given larger-than-expected falls in inflation, the major central banks left rates unchanged in Q4, and the extent of interest-rate cuts expected by the markets in 2024 rose dramatically towards the end of the year.

Given shifts in expected interest rates, the trade-weighted US dollar and sterling fell by 1.1% and 0.8%, respectively, while the equivalent euro measure rose by 0.8%. Trade-weighted Japanese yen rose 0.9% as bond yields rose in Japan while they fell or stayed the same elsewhere.

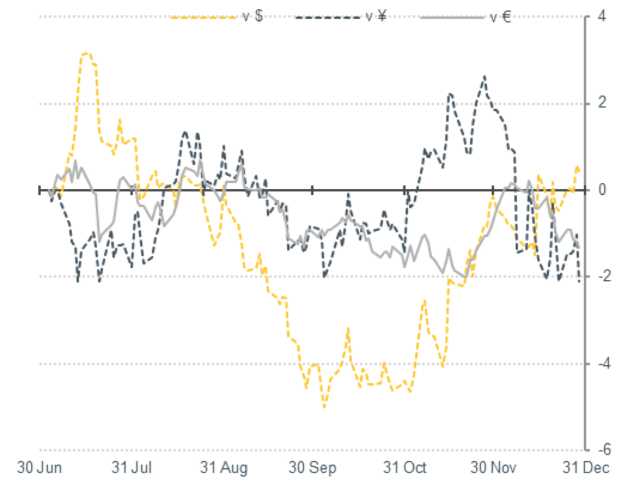
Historic returns for world markets [1]



Annual CPI inflation (% year on year)



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

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UK 10-year yields fell 0.9% pa, to 3.5% pa, while equivalent German yields fell around 0.4% pa, to 2.0% pa. After reaching post-Global Financial Crisis highs in October, US 10-year yields fell dramatically. Yields ended the period where they started, at 3.9% pa. Japanese 10-year yields rose 0.2% pa, to 0.6% pa, as the Bank of Japan loosened its yield curve control policy.

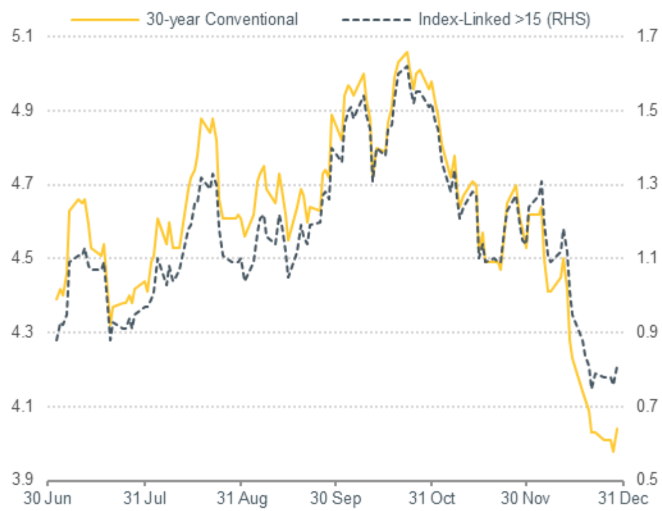
Credit spreads fell as global recession and debt affordability concerns eased. Sterling investment-grade yields fell 1.4% pa, as a 0.4% pa fall in credit spreads supplemented the fall in underlying gilt yields. Global speculative-grade credit spreads declined by 0.7% pa, to 3.8% pa.

The FTSE All World Total Return Index rose 6.9% in local-currency terms. North American equities notably outperformed, given their exposure to the technology sector. All other regions underperformed but still produced positive returns. Europe ex-UK faced the worst underperformance, given the relatively weaker economic backdrop and exposure to goods and manufacturing. Alongside technology, financials also outperformed. The more defensive sectors were the largest underperformers.

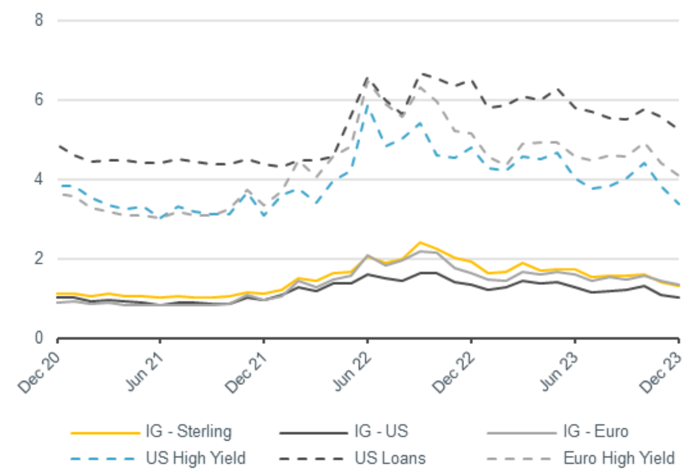
Oil prices rose 4.3%, to $77.69 per barrel, while gold rose 7.8%, perhaps deriving some support from rising geopolitical tensions in the Middle East.

The MSCI UK Monthly Property Index fell 1.3% over the last 6-month period as income was offset by capital value declines. Values fell most sharply in the retail and office sectors, which are down 5.6% and 16.6%, respectively, over the last 12-months. Industrial capital values also fell 0.2% in H2 2023, following seven consecutive months of growth, before stalling in October.

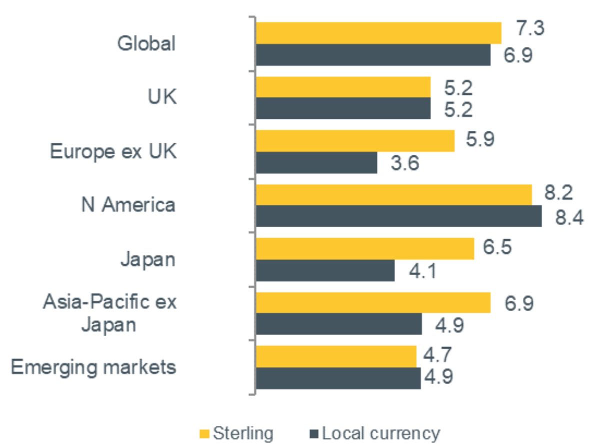
Gilt yields chart (% p.a.)



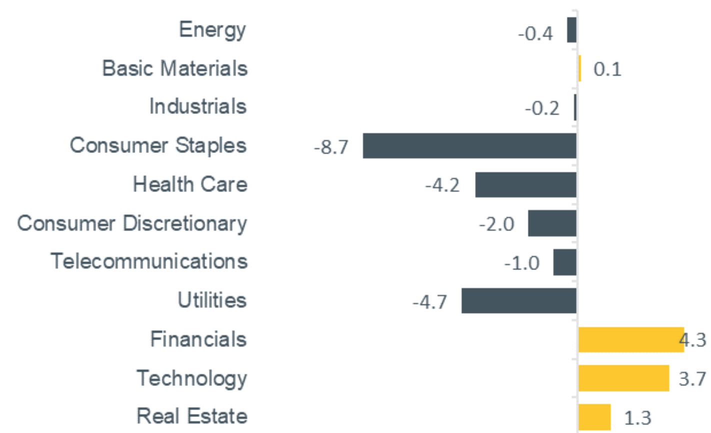
Investment and speculative grade credit spreads (% p.a.)



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.

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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London Borough of Brent Pension Fund

Funding update report at 31 December 2023

This report is addressed to the Administering Authority of the London Borough of Brent Pension Fund. This document should be read in conjunction with the fund's current Funding Strategy Statement.

The purpose of this report is to provide the funding position of the London Borough of Brent Pension Fund as at 31 December 2023 and show how it has changed since the previous valuation at 31 March 2022. This report has not been prepared for use for any other purpose and should not be so used. The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

The figures presented in this report are prepared only for the purposes of providing an illustrative funding position and have no validity in other circumstances. In particular, they are not designed to meet regulatory requirements for valuations.

This report also contains the data and assumptions underlying the results and the reliances and limitations which apply to them.

1 Results

1.1 Funding position update

The table below shows the estimated funding position at 31 March 2022 and 31 December 2023.

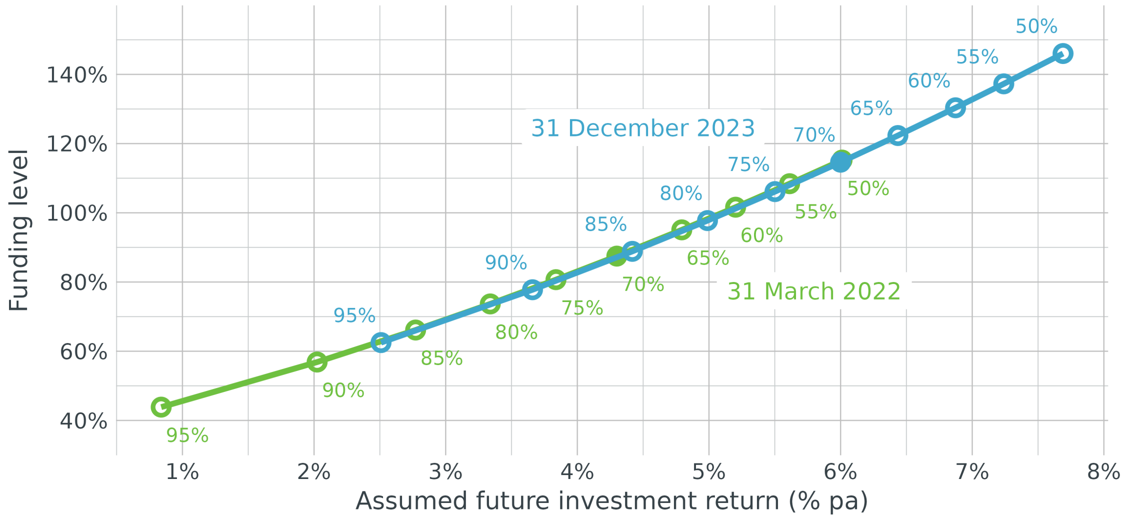
Please note that the asset value at 31 December 2023 shown in this report may differ to the actual asset value at that date because it is an estimate based on estimated cashflows (see section 3.2) and estimated investment returns (see section 3.3). However, the estimated value is consistent with the liabilities and therefore gives a more reliable estimate of the funding position than the actual asset value at the same date.

The table also shows what assumed investment return would be required at each date for the deficit to be exactly zero, along with the likelihood of the investment strategy achieving this return. An increase in this likelihood corresponds to an improvement in the funding position.

Monetary amounts in £bn	Ongoing basis	
	31 March 2022	31 December 2023
Assets	1.13	1.21
Liabilities		
– Active members	0.35	0.29
– Deferred pensioners	0.37	0.27
– Pensioners	0.58	0.49
Total liabilities	1.30	1.06
Surplus/(deficit)	(0.16)	0.15
Funding level	87%	115%
Required return assumption (% pa) for funding level to be 100%	5.1%	5.1%
Likelihood of assets achieving this return	62%	79%

1.2 Funding level range chart

The chart below shows how the funding level varies with the assumed rate of future investment returns, comparing the position at 31 March 2022 with the updated position at 31 December 2023 . The percentages next to each point show the likelihood of the investment strategy achieving that return (for further details see section 3.4). The solid coloured point indicates the assumed future investment return and funding level on the Ongoing basis.



1.3 Funding level progression

The chart below shows the estimated funding level (ratio of assets to liabilities) over time between 31 March 2022 and 31 December 2023. It allows for changes in market conditions and other factors described in Appendix A. If the fund has moved to a different basis since 31 March 2022 this may give rise to step changes in the funding level on the date of the change.

2 Next steps

2.1 Understanding the results

The results at 31 December 2023 in this report are estimates based on rolling forward the fund's funding position from 31 March 2022. You should understand the methodology and limitations of this approach described in appendices A and B.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Please also bear in mind that the information is estimated and consider other factors beyond the funding level or surplus/deficit. These could include, but are not limited to, changes to investment strategy, membership profile and covenant strength (where relevant).

Please get in touch with your usual Hymans Robertson contact if you wish to discuss the results in this report further.

3 Data and assumptions

3.1 Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022	Number	Average age	Accrued benefit (£k pa)	Payroll (£k pa)
Active members	5,720	53.0	22,170	148,740
Deferred pensioners	10,377	54.0	20,303	
Pensioners and dependants	6,695	69.0	36,780	

The membership is assumed to evolve over time in line with the demographic assumptions described in the Funding Strategy Statement. Please see Appendix A for details of the rollforward methodology which includes the estimated changes in membership data which have been allowed for.

3.2 Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 31 December 2023. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Estimated cashflows (£k)	31 March 2022 to 31 December 2023
Employer contributions	93,366
Employee contributions	18,241
Benefits paid	87,204
Transfers in/(out)	0

3.3 Investment returns since the valuation at 31 March 2022

Investment returns are based on actual returns where available and index returns otherwise.

Investment strategy	Actual/index	From	To	Return
Whole fund	Actual	1 April 2022	30 June 2023	(2.13%)
Whole fund	Index	1 July 2023	31 December 2023	6.85%

The total investment return for the whole period is 4.57%.

3.4 Financial assumptions

The financial assumptions used to calculate the liabilities are detailed below. For further details please see the Funding Strategy Statement.

Assumption	31 March 2022	31 December 2023
Funding basis	Ongoing	Ongoing
Discount rate methodology	Expected returns on the Main Fund strategy over 20 years with a 70% likelihood	Expected returns on the Main Fund strategy over 20 years with a 70% likelihood
Discount rate (% pa)	4.3%	6.0%
Pension increase methodology	Expected CPI inflation over 20 years with a 50% likelihood	Expected CPI inflation over 20 years with a 50% likelihood
Pension increases (% pa)	2.7%	2.2%

Salary increases are assumed to be 0.3% pa above pension increases, plus an additional promotional salary scale.

3.5 Demographic assumptions

Demographic assumptions are set out in the Funding Strategy Statement. All demographic assumptions, including longevity assumptions, are the same as at the most recent valuation at 31 March 2022.

Life expectancies from age 65, based on the fund's membership data at 31 March 2022, are as follows. Non-pensioners are assumed to be aged 45 at that date.

	Ongoing basis	
Life expectancy from age 65 (years)	**Male**	**Female**
Pensioners	22.1	24.8
Non-pensioners	23.4	26.3

Appendix A - Technical information

A.1 Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on projecting the results of this valuation forward to 31 December 2023 using approximate methods. The rollforward allows for

- estimated cashflows over the period as described in section 3.2;
- investment returns over the period (estimated where appropriate) as described in section 3.3;
- changes in financial assumptions as described in section 3.4;
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 31 December 2023 include a total adjustment of 11.4% to reflect the difference between actual September CPI inflation values (up to 30 September 2023) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 31 December 2023 no allowance has been made for the effect of changes in the membership profile since 31 March 2022. The principal reason for this is that insufficient information is available to allow me to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual ones, may affect the reliability of the results.The fund should consider whether any such factors mean that the rollforward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

A.2 Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 31 December 2023 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 18.2%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

Appendix B - Reliances and limitations

The last formal valuation of the fund was carried out as at 31 March 2022 and these calculations rely upon the results of that valuation. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with our expectations.

The data used in this exercise is summarised in section 3. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is. The data is the responsibility of the Administering Authority and the results rely on the data.

The results in this schedule are based on calculations run on 7 February 2024 using the data set out in section 3. Any other factors coming to light after this report was prepared have not been allowed for and could affect the results. If any data has materially changed since 7 February 2024 the results could be materially different if they were recalculated.

Some financial assumptions may be based on projections from our Economic Scenario Service (ESS) model which is only calibrated at each monthend. Results between monthends use the latest available calibration, adjusted in line with the movement in market conditions. This adjustment is approximate and there may be step changes at monthend dates when a new ESS calibration is factored in.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

As with all modelling, the results are dependent on the model itself, the calibration of the underlying model and the various approximations and estimations used. These processes involve an element of subjectivity and may be material depending on the context. No inferences should be drawn from these results other than those confirmed separately in writing by a consultant of Hymans Robertson LLP.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Hymans Robertson LLP accepts no liability if any decisions are based solely on these results or if any action is taken based solely on such results.

This report complies with the relevant Technical Actuarial Standards.

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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** 21 February 2024
	Report from the Corporate Director, Finance and Resources

Pass-Through Policy

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two: Appendix 1 - Pass-Through for New Contractors – Discussion Document Appendix 2 - Pass-through Table
Background Papers:	None
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1.0 Executive Summary

1.1 This report outlines the preferred arrangements for contractors participating in the Brent Pension Fund. Brent Pension Fund's actuary, Hymans Robertson, has prepared a discussion document outlining the principles, benefits and risks of using 'pass-through' for its admission agreements and a comparison with the current 'traditional' approach. This report considers the advantages and disadvantages of the proposed course of action.

2.0 Recommendation(s)

2.1 That the Pensions Fund Sub-Committee notes the proposed pass-through approach as the default for admission agreements in line with the principles as specified in this report and that

2.2 The Pensions Fund Sub-Committee recommend that the proposed pass-through approach detailed in 2.1 is approved by the General Purposes Committee at its next meeting.

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 Content

Foreword

3.2.1 Hymans Robertson, in their capacity as actuary to the Fund have prepared a discussion document, attached as Appendix 1, to set out the key factors for the Fund to consider with regards to allowing new admission bodies to participate in the Fund on a 'pass-through' basis.

3.2.2 It is important to note that these proposals will affect new admission agreements and any contracts that have already been advertised will proceed on the basis set out in the prospectus. Officers may consider applying pass-though to outstanding admission agreements that have not yet been agreed on a case-by-case basis where the operational benefits can be justified and to do so would not impact on the result of the procurement process. Any existing agreed admission agreements will not be modified.

Background

3.2.3 Brent Pension Fund is required to enter into admission agreements when letting authorities outsource a service to a contractor. The Fund's current approach is the traditional approach where the following principles apply:

- all past service pension benefits in respect of outsourced members are transferred from the letting authority to the new contractor,
- the contractor is set up on a "fully funded" basis using ongoing assumptions,
- the starting contribution rate is the cost of future service benefits only,
- the contribution rate is reviewed and adjusted at every formal valuation,

- any early retirement strains and augmentation costs that arise are met by the contractor via additional lump sum contribution(s),
- a bond or other form of indemnity where considered appropriate is taken out by the contractor and
- at the point of cessation, the resulting cessation valuation may lead to the payment of a cessation debt by the employer (or an exit credit by the Fund).

3.2.4 The paper advocates changing Brent's approach to risk sharing utilising the flexibility in the Funding Strategy Statement (FSS). This involves moving away from the conventional approach to admission agreements, where the contractor bears all the pension risk, and introducing pass-through agreements where the letting authority would agree to retain some of the pension risk.

3.2.5 The main drivers for this change of policy are the practical challenges of setting up conventional admission agreements, the contractors' difficulties in sourcing bonds and the expansion of the Department of Education's pension guarantee for academy trusts on 17th May 2023.

3.2.6 Although it may appear counterintuitive for a letting authority to volunteer to bear more risk, there are sound reasons for believing that risk sharing will deliver better outcomes for everyone concerned.

Legislation, Directions and Guidance

3.2.7 When councils, maintained schools and academies let contracts, they are required to ensure that staff with entitlement to access the LGPS that are transferred pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) have access to suitable pension arrangements.

3.2.8 Schedule 2 part 3 of the Local Government Pension Scheme Regulations 2013 (LGPS Regulations 2013) sets out the entities that can be admitted to the scheme.

3.2.9 If a council or a maintained school outsources a function, The Best Value Authorities Staff Transfers (Pensions) Direction 2007 requires the letting authority to offer the TUPE transferred staff the same, a broadly equivalent or a better pension scheme than the one they had a right to participate in before the change of employer.

3.2.10 New Fair Deal 2013 requires academies and multi academy trusts (MATs) to offer transferring staff access to the same defined benefit pension scheme (Teachers' Pensions Scheme/LGPS).

Pass-through approach

3.2.11 The philosophy behind conventional admission agreements is to pass the investment and moral hazard risks to the contractor.

3.2.12 Pass-through covers a spectrum of risk sharing between letting authorities and contractors but the key feature is to pass significantly less pension risk to the contractor and reduce the costs of participation. This means that more of the pension risk remains with the letting authority.

3.2.13 Additionally, the traditional outsourcing approach can lead to a great deal of uncertainty over costs for contractors during volatile market conditions and bidders are increasing aware about such risks therefore by passing less of the pension risks to the contractor, the letting authority should expect that more bidders are encouraged to respond and to receive more competitive bids when tendering services.

3.2.14 For the avoidance of doubt, Brent is recommending a balanced hybrid approach with the letting authority taking the investment, ill-health retirement and excess salary accrual (within reason) risks, and the contractor any costs relating to early retirement and pension enhancement. The employer's contribution would be equal to the letting authority's primary contribution (future accrual) rate and it will be reviewed in the light of experience at each triennial valuation.

3.2.15 It should be noted that in the absence of outsourcing, the letting authority would retain all of the pension risk, therefore pass-through agreements seek to obtain the correct balance of transferring risks within their control to the contractor while retaining risks which have significant uncertainty with the letting authority that would otherwise be built into the quote.

3.2.16 It is proposed that the new policy will be the default for contacts with up to fifteen transferees and an option for larger contracts at the Administering Authority's discretion with the letting authority's agreement.

Analysis of Risk

3.2.17 The discussion paper attached in Appendix 1 prepared by the Fund Actuary, Hymans Robertson, provides an overview of the benefits and risks together with the key design factors. Appendix 2 further sets out the risks in a table.

3.2.18 In summary, pass-through offers several administrative benefits compared to traditional agreements:

- Simplified approach to admitting new bodies and of cessation of contractors.

- No requirement for a market rate bond which can be difficult for contractors to obtain.

- Potentially better pricing for letting authorities because contractors have greater certainty over pension risk.

- Removes the requirement to pay an exit credit if there is a surplus at the end of the contract. This is caveated with the letting authority being responsible for a deficit, should one materialise, at the end of the contract.

3.2.19 The table below outlines the proposed pass-through policy for the Brent Pension Fund:

Application	Pass-through will be the default for admission agreements with fewer than 15 transferring members. For new contractors with 15 or more transferring members, the administering authority will agree the most suitable arrangement (pass through or traditional approach) with the letting authority.
Investment risk	If the investment risk is passed to the contractor, it is likely that the downside risk will be priced into the contract. Conversely, the letting authority is likely to be able to negotiate a better price for the contract if they retain the investment risk.
Positive investment fluctuation	In the past, the letting authority would retain any surplus and the contractor would pay an exit payment if they were in deficit. That changed when regulation 64B was inserted in the LGPS Regulations 2013 on 23rd September 2020 and the contractor may be paid an exit credit if the contract is in surplus and the requirements in the FSS are satisfied. This change has complicated pensions administration and it is not unheard of for contractors to try to terminate admission agreements early to realise a substantial surplus. Under pass-through, the contractor would pay a fixed employer's contribution rate and there would be no exit payments or exit credits when an admission agreement ends. The net effect would be that the letting authority retains any investment growth.
Ill-health retirement	Brent intends to pool ill-health experience with the letting authority. It believes it can minimise the risk of moral hazard by insisting that the contractor uses Brent's independent registered medical practitioner (IRMP) as it is entitled to do under regulation 36(3) of the LGPS Regulations 2013.
Early retirement	Brent proposes that the risks of early retirement under regulation 30(7) LGPS Regulations 2013, waiving actuarial reductions and switching on the 85-year rule should be passed to the contractor to mitigate the risk of moral hazard. The contractor would be required to pay any strain costs flowing from its decisions.
Pension enhancement	The contractor should bear any costs related to shared cost APCs, shared cost AVCs and meet any strain costs

	in relation to membership awarded under regulation 31 of the LGPS Regulations 2013.
Excessive salary increases	Brent proposes tolerating this risk and taking reasonable steps to mitigate it. The main risk is final salary membership that was accrued before 2014 and it is partly self-limiting as members with substantial membership (say 20 years) will be entering their 50s. It recommends that salary growth should be one of the factors taken into consideration when reviewing employers' contribution rates at the triennial valuation. There are also other levers for controlling salary growth as; (1) most contracts are small cleaning/catering contracts where the employer has an interest in restraining the transferred staffs' salaries and (2) contracts with large numbers of staff, of long duration or where the workforce includes high-earners can be earmarked for conventional admission agreements and (3) housing associations/ companies, large maintenance contracts and arms-length companies etc. are suitable for conventional admission agreements as there will be ample advance notice, the professional fees will be modest in comparison the size of the contract and they tend to be longer contracts.
Bonds	Brent will only ask for a bond or other security if the contract is perceived to be high risk or the letting authority insists on one. In these circumstances the contractor will have to make a cash deposit, offer an unencumbered asset or post a bond for a sum equal to six months' employer's and employees' pension contributions.
Employer contribution rate	Brent will set an employer contribution rate that is equal to the letting authority's primary contribution (future accrual) rate. Employer contribution rates can be reviewed in the light of experience at the triennial valuations, thereby minimising the risks of employer excess.
Changes in the underlying actuarial assumptions	Will be borne by the letting authority and mitigated by changes to the employers' contribution rate at each triennial valuation.
Changes in the admitted	Will be underwritten by the letting authority. It is inevitable that the average age will rise and there will be fewer

body's demographic	contributing members as the admission agreement matures. This may be partially mitigated at the triennial valuations to the extent that its experience is replicated across the fund as whole.
Changes in the scheme's benefit structure	Will be covered by the letting authority. Although the consequences of McCloud and Goodwin will lead to modest improvements in the benefit structure, they will also be taken into consideration in the schemes cost control mechanism. Should there be significant changes that breach the 3% stabilisation window there would be reciprocal reductions in other benefits to restore equilibrium.
Officer's, lawyers and professional advisers	These costs impact on all the stakeholders. Even relatively straightforward conventional admission agreements are very labour intensive and generate large professional fees. One of the advantages of pass-through is that it avoids complex actuarial calculations and a variety of professional fees as we can use a standard template admission agreement. Although the contractor is the prime beneficiary of these savings, the letting authority can take them into account when negotiating the price of the contract.
Accounting for the pension liabilities	They remain the responsibility of the letting authority under pass-through.
The risk of not having simple processes	This affects everyone involved. A pass-through agreement will streamline contract negotiations and there is no reason why an admission agreement cannot be in place as soon as a contract is let. It will remove months/years of uncertainty, ensure that employees' and employer's contributions are paid over and invested promptly and remove unnecessary stress and uncertainty from ill-health retirements and deaths in service.

Summary

3.2.20 Conventional admission agreements require considerable internal administration and legal resource and incur significant actuarial fees.

3.2.21 The advantages of pass-through are that it is transparent, easy to understand and all parties are better informed from the outset. The terms are set out in a template admission agreement that will be disclosed to contractors before they bid.

Conclusion and Next steps

3.2.22 Pass-through is not new and there are many reasons why its popularity is growing; however, the catalyst seems to have been the revised guidance issued on 23rd September 2020, which confirmed that the Department of Education's guarantee covered pass-through.

3.2.23 Pass-through can present stark choices in its purist form; however, Brent has opted for a more nuanced hybrid approach based on the principle of utility. It has tried to strike a balance between offering the contractor transparent pension costs and protecting the letting authority from moral hazard.

3.2.24 The proposed policy frees the contractor from the uncertainty of investment risk and the requirement to post a bond while protecting the letting authority from pension enhancement and strain costs. It is not a panacea as it only controls final salary growth indirectly - although this legacy risk will dissipate with the passage of time.

3.2.25 It is important to note that pass-through is not suitable for all admission agreements and it will only streamline future outsourcings. Any outstanding admission agreements will have to be worked on a case-by-case basis where the operational benefits can be justified and to do so would not impact on the result of the procurement process.

3.2.26 The feedback from authorities who have implemented pass-through is very positive. Nonetheless, if Brent has any reservations about implementing pass-through it could consider trialling it for a reasonable period (say three years) and review the decision in the light of experience.

3.2.27 If this proposal is adopted, fund officers will consult with employers in the Fund to explain the pass-through approach, the risks and benefits. This is expected to take 3 weeks. Fund officers will also ensure that the necessary documentation in place to implement pass-though taking legal advice if deemed necessary. The current working assumption is to go live on 1st April 2024.

4.0 Stakeholder and ward member consultation and engagement

4.1 In view of the nature of the report, there has been no consultation or engagement with stakeholders or ward members to date.

5.0 Financial Considerations

5.1 Implementing the pass-through policy will ensure that there is more appropriate risk sharing between letting authorities and contractors, which should result in more competitive pricing for outsourced services, although employers will accept greater risk than under the traditional approach.

5.2 While is not possible to accurately quantify the savings associated with the adoption and implementation of a pass-through policy there will be less of an administrative burden in terms of financial, legal and actuarial resources in maintaining a pass-through policy than the traditional approach. Therefore it is considered that this approach delivers value for money.

6.0 Legal Considerations

6.1 The legal considerations arising from the adoption of pass through of pensions risk are addressed in the body of the report.

6.2 Adoption of pass through arrangements for contracts with up to 15 transferees will assist the procurement of such contracts given that providers, particularly smaller providers, often encounter issues in providing bonds and other security in respect of pensions risk.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are no adverse 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

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London Borough of Brent Pension Fund

Pass-through for new contractors

Discussion document

Craig Alexander FFA

Peter MacRae FFA

13 February 2024

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Contents

In this report:

Section 1
Background

Introduction

Purpose and scope

This paper has been commissioned by and is addressed to Brent Council as the Administering Authority of the London Borough of Brent Pension Fund ("the Fund"). Its purpose is to set out the key factors for the Fund to consider with regards to allowing new admission bodies (specifically, contractors) to participate in the Fund on a 'pass-through' basis.

Pass-through is a way of participating in the Fund where certain risks are shared between the letting authority and the new contractor.

This paper is not a policy document. It should not be shared with any other party, including Fund Employers. This paper should not be read as providing any recommendation on a particular course of action or the preferred design of such an arrangement.

It is recommended that the Fund prepare and publish a policy document setting out the general approach they will take when admitting new contractors into the Fund.

This paper will be updated (specifically, the checklist in Appendix A) following a discussion with Fund officers around the specific design of the Fund's standard pass-through arrangement.

Current approach

Under the Fund's current admissions policy for new contractors, the following principles typically apply:

- all past service pension benefits in respect of outsourced members are transferred from the letting authority to the new contractor;
- the contractor is set up on a "fully funded" basis using ongoing assumptions;
- the starting contribution rate is the cost of future service benefits only;
- the contribution rate is reviewed and adjusted at every formal valuation;
- any early retirement strains and augmentation costs that arise are met by the contractor via additional lump sum contribution(s);
- a bond or other form of indemnity is taken out by the contractor (if required by the Fund and/or letting authority); and
- at the point of cessation, the resulting cessation valuation may lead to the payment of a cessation debt by the employer (or an exit credit by the Fund.)

Following cessation, the contractor makes a "clean break" from the Fund with no further obligations other than paying any cessation debt (or receiving an exit credit). The assets and liabilities left behind by the departing contractor revert to the letting authority.

What is pass-through?

The defining feature of a pass-through arrangement is to pass significantly less pension risk onto the contractor to reduce the volatility of the contractor's costs of participation. The consequence is that most of the pension risk 'passes through' the contractor to the awarding authority.

Purpose of pass-through

Letting authorities may choose to outsource services to achieve any of the following:

- Improve service delivery;
- Increase efficiency;
- Reduce service costs; and
- Aid manpower planning.

However, under the current "traditional" approach to outsourcings (set out in the previous page), all of the key pension risks transfer from the letting authority to the contractor for the duration of the contract.

For many contractors, this may be viewed as an unexpected or undesirable by-product, and this leads to additional administrative complexity for the Pension Fund during the contractor's period of participation.

Similarly, the transfer of pension risks from Academies to contractors dilutes the effect of the Academies Guarantee provided by the Department of Education (see Appendix B).

The traditional outsourcing approach can lead to a great deal of uncertainty over costs for contractors during volatile market conditions e.g. large increases to regular contributions, big cessation debts etc. Bidders for contracts are increasingly aware of these problems and may seek to price them into contracts via additional service charges which can undermine the purpose of the outsourcing.

The letting authority will want to obtain the best price for the outsourced service. Offering contractors pass-through as a means for removing some of the uncertainty of the cost for paying for the outsourced member's pension benefits may be a way of helping to achieve this.

Whether using the standard approach or pass-through, the letting authority still retains long term responsibility for the risks as all the members' accrued benefits transfer back to the letting authority at the end of the contract.

Furthermore, the letting authority remains the ultimate guarantor for all pension obligations throughout the contract in the event of the contractor becoming insolvent. This is unchanged whether adopting the standard approach or using pass-through.

Section 2
Benefits and risks

Benefits and risks of pass-through

Benefits of pass-through

For the Letting Authority

- Letting authority may be able to negotiate better contract terms.
- Easier to understand their pension responsibilities.
- Retains upside potential (i.e. retaining surpluses at end of contract).
- Clearer and more consistent tendering process.
- Avoids exit credits

For the Contractor

- The contractor bears less pension risk.
- Greater certainty of contributions
- No potential cessation debt to pay at the end of the contract.
- Reduced administrative costs as no requirement for a market risk bond.

For the Administering Authority

- Ease of administration with stakeholders.
- Reduction in time and costs of monitoring and administering bonds.
- Further protections in respect of academy outsourcings from the newly extended academy guarantee (see Appendix B)

Risks of pass-through

For the Letting Authority

- Responsibility for a potential cessation debt at the end of contract.
- Depending on design, the letting authority may be required to meet the cost of changes to LGPS benefits e.g. any strains relating to early retirements and augmentations.
- Mispricing the contract (eg if fixed rate was too low, in hindsight)
- Assets and liabilities remain on accounting balance sheet.

For the Contractor

- Loss of a potential exit credit at the end of contract.
- Potential for overpaying pension costs during the contract period

For the Administering Authority

- New documentation required, including maintenance of a clear policy on pass-through
- If implemented as a ‘default’ or ‘optional’ approach – the benefits may not be realised if letting authorities defer to traditional admission approaches.

Section 3
Design

Designing a pass-through arrangement for the Fund

Introduction

There are many ways in which a pass-through arrangement can be designed which are specific to the pension fund and to each individual employer in the Fund.

We understand it is the Fund is considering **a default arrangement to be in place for new outsourcings,** in order to realise the full benefits of pass-through and to mitigate against the new risks that may arise from this.

In the absence of a clear policy on pass-through, letting authorities and contractors have, historically, designed these arrangements without the Fund's support. These have typically been documented via a side letter to the Admission Agreement or within the commercial contract for services. Under this approach, the Fund treats the contractor as a 'standalone' scheme employer and the letting authority & contractor are then responsible for ensuring the terms of the side letter or commercial contract are adhered to. The Administering Authority is not a counterparty to this agreement and so is not responsible for ensuring the terms of the side letter are met. However, in practice the existence of a variety of pass-through arrangements in a single fund can create an administrative burden for Administering Authorities.

The remainder of this section looks at the various key design factors to assist the Fund when deciding on the parameters that could under a new pass-through policy.

Design factors

There is no single definition of a 'pass-through agreement'. The following factors distinguish between the various types of pass-through arrangements that can be implemented:

- **Application** (optional / default / mandatory?)
- **Size of contractor** (only apply to smaller admissions - fewer than X members?)
- **Types of risks shared** (between letting authority & contractor)
- **Contribution rates** (how to set and frequency of review?)
- **Bond / indemnity requirements** (redundancy only or waive requirement?)
- **Documentation** (policy documents and admissions agreement)
- **Allocation of assets** (between letting authority & contractor)
- **Legacy admission bodies** (amend old agreements?)

Application

Description

Should pass-through be the **default** approach, will it be one of many **options**, or could it be **mandatory** for all future admissions?

Key design factors

- If pass-through was set as **the default approach** for new admissions, letting authorities may be able to opt-out of this default arrangement (although not encouraged to do so by the Fund). Is it therefore unlikely that letting authorities will elect for contractors to participate on the 'traditional' (non pass-through) basis.
- If pass though was to be offered as an **option to letting authorities**, take-up may be low and specific to the department letting the contract. This may increase the administrative burden on the Fund (i.e. to track which new admissions are on the 'traditional' basis and which are on a pass-through basis).
- It may be difficult for the Fund to **mandate** pass-through for new contractors (as responsibility for the outsourcing and its pricing rests with the letting authority, rather than the Fund). Legal advice may therefore be required if the Fund wish to do this.

Size of contractor

Description

Should the new policy apply to **all contractors**, or only **smaller contractors.** Will **different forms of pass-through** apply to different sizes of employer?

Should pass-through apply to contractors from all **types of ceding employer**, or only apply to specific groups (e.g. Academies and/or Council employers)?

Key design factors

- The Fund may wish to set a cap on the number of active members where pass-through will apply e.g. under 100 active members only. This gives the Fund and the ceding employer the ability to consider applying the traditional, or a more bespoke pass-through, arrangement for larger outsourcings (where the cost and underlying pension liabilities may be significant).
- The Education & Skills Funding Agency (ESFA) has recently confirmed that the existing DfE Academy Guarantee applies to academy outsourcings in specific scenarios where the contractor participates in the Fund on a pass-through basis. See Appendix B for further information.
- We would expect the Fund to consult with affected employers prior to implementation and so, if a particular employer group (eg Council departments) are likely to object to pass-through, it may be appropriate to apply the policy to academies only.

Types of risks shared

Description

Which risks will be **retained by the letting authority** and which **risks will pass to the contractor**?

Key design factors

- The table shown on the right of the page sets out the different risks that could be shared between the letting authority and the contractor in a specific pass-through arrangement.
- The more risks retained by the letting authority, the more straight forward the arrangement, and the greater the potential governance & cost savings that will be achieved by the Administering Authority.
- The more risks passed to the contractors, the more the pass-through arrangement will feel like a 'traditional' admission, and the lower the potential governance and cost savings that will be achieved by the Administering Authority and the contractor.

Risks	Comment
Ill health retirement experience	The calculated cost of strain amounts calculated following ill health early retirements.
Non ill-health early retirements	The calculated cost of strain amounts following early retirements due to redundancy, efficiency or voluntary where actuarial reductions are waived.
Changes to LGPS benefits	Any changes to the LGPS benefits structure, which lead to a change in the costs of the scheme. Could include the effect of rectification events such as McCloud
Additional pension / augmentation	The additional liability arising from any decision taken by the contractor to award additional pension or otherwise augment benefit entitlement, as permitted under LGPS Regulations.
Pre-contract risks, including - Price inflation - Cash commutation - Withdrawal - Pay experience	The effect of member experience, relative to assumptions set at the previous actuarial valuation, leading to an increase in the past service liabilities.

Contribution rates

Description

How will the **pass-through contribution rate** be set and how often will this be reviewed going forward?

Key design factors

Page 58

- A simple approach would be to set the **rate payable by the contractor equal to that payable by the letting authority**. A variation of this would be for the contractor to pay the letting authority's Primary Rate only ie the expected cost of future service benefits. No actuarial work would be required to calculate the rate payable and this would be known in advance of any tender exercise.
- Alternatively, the contractor could be required to **pay a rate based on its own specific membership** and (possibly) market conditions as at the commencement date. This would require actuarial advice to calculate the contribution rate payable.
- Rates could be **reviewed at triennial valuations**, or, for simplicity, may be fixed for the duration of the contract. If fixed, there is a risk that the cost of LGPS benefits changes significantly over the period of the contract.
- Another simple approach would be to **set a fixed rate** (say 25% of pay) for all pass through admissions. No actuarial advice would be required, but it introduces risk due to the rate not being related to that of the underlying letting authority.
- Other pass-through options include contractor-specific rates that are set and reviewed at each triennial valuation, but are subject to a **floor and/or a cap** over the period of the contract. The management of this over time may be onerous.

Bond / indemnity requirements

Description

Will the new pass-through admission body be required to **obtain a bond or provide an indemnity** in respect of its participation in the Fund, or will this **requirement be waived**?

Key design factors

- LGPS Regulations require a bond or indemnity to be in place for admitted bodies. However the need for a market-risk bond may be waived given the existence of an effective guarantee from the letting authority as per the pass-through arrangement. A redundancy bond may still be appropriate to protect against contractor insolvency costs.
- For Academy outsourcings, the existence of the Academies Guarantee may allow the Fund letting authority to waive the need for a bond, as per the expectations of the Education & Skills Funding Agency (see Appendix B).
- For Council outsourcings, the letting authority may be comfortable waiving the need for a bond given the size of the outsourcing and the ability to recognise this in the contract terms (as removing the bond requirement is likely to make the contract more attractive to potential bidders and would be expected to remove this expense from contract pricing).

Documentation

Description

A **formal policy document** setting out the Fund's approach to pass-through is necessary. This can be included in the Fund's admission policy.

How will the **terms of the pass-through admission be documented**?

Key design factors

- Historically, pass-through arrangements were documented via a side agreement to the admission agreement.
- A cleaner approach, especially if pass-through were to be set as the default approach for new outsourcings, would be to reflect the pass-through arrangement in the admission agreement.
- Legal support would be required to prepare a new template pass-through admission agreement for use by the Fund.
- The Fund's formal pass-though policy document would form the basis of a consultation with affected employers. This document would be appended to, and referenced in, the Funding Strategy Statement.
- The Fund's internal process around pass-through, including how costs are met and the details of any monitoring framework, should be fully documented the formal policy document.

Allocation of assets

Description

How will **assets be allocated** between the letting authority / contractor during the period of participation?

This may affect the **treatment of surpluses / deficits at cessation** and/or the **accounting treatment** of the contractor's pension obligations.

Key design factors

- The transferring staff will move to the new contractor's location code on the administration system (as is the case currently). Contractor contributions will also be assigned to the new location.
- Assets and liabilities are tracked for the contractor but pooled with the letting authority for future funding (and accounting) valuations.
- The contractor may retain eligibility for an exit credit at the point of cessation, even if the agreement indemnifies the contractor against the need to pay any cessation debt.

HYMANS ROBERTSON

Section 4
Next steps

Next steps

There is no single definition of 'pass-through' and the advice provided in this report is designed to assist Fund officers when designing a standard pass-through arrangement for the future admission of contractors to the Fund.

This paper should assist in both the decision to implement pass-through as a potential default admission arrangement as well as with the design of the pass-through arrangement. For completeness, the design factors to be considered are summarised in the **checklist** in Appendix A, alongside some of the comments made in our meeting with fund officers on 24 January 2024.

The Fund will be **asking the Sub-Committee** to approve the pass-through in principle in line with the key design decisions laid out in Appendix A.

Following this, the Fund will **consult with the relevant employers** (specifically, the potential letting authorities that will be affected by this) and work through **the legal documentation** to implement (including a potential formal policy document, updated Funding Strategy Statement and an updated pass-through admission agreement template).

Assuming the Sub-Committee approves, re-approval from Sub-Committee will not be sought unless there are material changes to the key design decision.

Appendices

Appendix A - Decision checklist

Design factor	Fund comments (following meeting with Hymans Robertson on 24 January 2024)
Application – option / default / mandatory?	**Pass-through will be the default arrangement in the absence of a preferred approach from the letting authority.**
Which employers? - only apply to smaller employers? - apply to Academies / Councils or all types of letting authority?	**Default pass-through will apply to all contractors with fewer than 15 transferring members. For new contractors with 15 or more transferring members, the administering authority will agree the most suitable arrangement with the letting authority.** **Default pass-through will apply to contracts let by all types of letting authority.**
Types of risks shared – between letting authority & contractor?	**The letting authority will retain all risks, except for those brought on by the contractor (i.e. the award of excessive pay increases, additional pension / augmented benefits and the award of unreduced early retirement (non-ill-health)).** **To pass-through ill-health retirements risk to the letting authority, contractors must use the Fund's independent registered medical practitioner (IRMP)**
Contribution rates – how they are set and frequency of review?	**Contribution rate always set equal to the in-force primary rate of the letting authority, which may change at each triennial valuation.**
Bond / indemnity requirements – waive requirement (consider redundancy risk only)?	**Bond in place for "high-risk" contracts at the Fund's discretion or if required by the letting authority.**
Documentation – policy document (and associated comms and process notes) and admission agreement	**Policy principles to be agreed by Sub-Committee at the February meeting and officers to finalise and implement following consultation with employers.**
Allocation of assets – between the letting authority / contractor?	**Liabilities (with corresponding fully funded assets) are assigned to the contractor and tracked for its period of participation. However, for funding and accounting purposes, the contractor assets and liabilities are pooled with the letting authority.**

Appendix B – Academy guarantee and outsourcings

The Education & Skills Funding Agency (ESFA) recently released a policy paper regarding the operation of the DfE Academy Guarantee and its application to academy outsourcings. The statement (“the DfE Academy Trust LGPS Guarantee policy”) can be found here: www.gov.uk/government/publications/academies-and-local-government-pension-scheme-liabilities/dfe-local-government-pension-scheme-guarantee-for-academy-trusts-pensions-policy-for-outsourcing-arrangements

The headlines from the new policy are:

- An **explicit statement that pension liabilities associated with academy outsourcings in the below scenarios are now guaranteed by the DfE**. This is an important development as previously outsourcings in scenarios 2 and 3 below were not being covered by the guarantee. This meant that the academy could not be a guarantor to the admission agreement. This issue is now resolved.
- The scenarios covered are set out below. This is only applicable to staff who are eligible for LGPS and if the **admission is operating under a ‘pass-through’ arrangement**.
    1. Staff currently working for an academy transfer to an outsourced contractor under TUPE
    2. Staff who transfer to an outsourced contractor under TUPE before the academy converted (ie when it was still a maintained school) and the outsourcing contract passes to the academy following conversion.
    3. Staff who currently work for the local authority which is providing services to the academy under a contract, but the contract is then awarded to another third-party contractor and the staff transfer to the contractor under TUPE.
- Academies **do not need to request ESFA approval** in the above scenarios. If the outsourcing is not covered under the scenarios, then academies still must contact ESFA for approval.
- ESFA’s view is that this now **removes the need for a bond** for outsourcings in these scenarios. If an administering authority still insists on a bond then the contractor has to provide it as academies cannot provide bonds for LGPS liabilities.
- The policy is **retrospective** in its application.

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Reliances & limitations

Reliances and limitations

We have been commissioned by Brent London Borough Council (“the Administering Authority’) to provide advice on the benefits, risks and key design considerations relating to the implementation of a standard pass-through arrangement for new contractors.

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of setting out the key factors for the Fund to consider with regards to allowing new admission bodies (specifically, contractors) to participate in the Fund on a ‘pass-through’ basis.

It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work

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Risk	Letting authority	Contractor	Shared	Mitigation
Investment risk	Letting authority			The letting authority must extract a good price for the contract. There is no other mitigation for systemic investment risk.
Positive Investment fluctuation		Contractor		The letting authority retains any exit credit.
Ill-health retirement	Letting authority			The contractor will be obliged to use Brent's IRMP.
Early retirement/strain costs		Contractor		There is no mitigation (To remain with the contractor)
Pension enhancement (SCAPCs/SCAVCS/R31)		Contractor		There is no mitigation (To remain with the contractor)
Excess salary awards	Letting authority			This is partially self-limiting and can be managed at the valuation.
Bonds	Letting Authority			It is important to negotiate a good contract price as there is no mitigation if an employer becomes insolvent.
Employer's contribution rate	Letting authority			Reviewed at the valuation in the light of experience.
Changes to underlying actuarial assumptions	Letting authority			The changes will be incorporated in the primary contribution rate at the valuation.
Changes in the admission agreement's demographic	Letting authority		These changes may feed through to the generic employer's contribution rate at the valuation	The average age of active members will inevitably rise in a closed admission agreement.
Fewer contributing members	Letting authority		This is a natural decline in a small subset	Voluntary retirement and employees changing jobs will naturally reduce the contribution pool as a closed AA matures.
Changes to the benefit structure due over/undershooting the 3% cost window			This should be cost neutral as the overall benefits package will be adjusted (up or down) to keep the overall cost within the window	This would only be triggered by significant changes and the latest figures suggest that the cost of the scheme is falling.
Accounting for pension liabilities	Letting authority			The letting authority will have to retain the admitted bodies pension liabilities in their accounts.

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Brent	**Brent Pension Fund Sub-Committee** 21 February 2024
	Report from the Corporate Director of Finance and Resources

DLUHC Consultation Outcome on LGPS Investments and TPR General Code of Practice

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 - Hymans Robertson – Results of the Consultation on LGPS investments: Next Steps
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 Finance sawan.shah@brent.gov.uk 020 8937 1955

1.0 Executive Summary

1.1 The Department for Levelling Up, Housing and Communities (DLUHC) have published the outcome to the consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS). Additionally, the Pensions Regulator has published its General Code of Practice.

2.0 Recommendation(s)

2.1 To note the consultation outcome proposals relating to the investments of the LGPS.

2.2 To note the update on The Pensions Regulator General code of practice.

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 Outcome to Next steps on investments consultation

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 sought views on proposals relating to asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

3.2.3 As outlined at the previous committee meeting, officers prepared a formal response to the consultation on behalf of the Brent Pension Fund and this was submitted to DLUHC. The period for responses to the Consultation closed on 2 October 2023.

3.2.4 As part of the Autumn Statement, the government released the outcome to the consultation[1]. The response confirmed the government's intention to proceed with most of the proposals including:

- a March 2025 deadline for the pooling of assets, however this is now on a ‘comply or explain’ basis.
- to revise guidance to encourage Funds to invest a 10 per cent allocation to private equity, however this is an ambition and not mandatory
- implementing a requirement in guidance to set a training policy for pensions committee members and to report against the policy.

3.2.5 The Fund’s investment advisors have prepared a short briefing note on the results of the consultation which is attached in Appendix 1.

3.2.6 Finally, none of the proposals have yet to come into effect and the Fund is awaiting details on amendments to existing LGPS regulations and/or statutory guidance.

3.3 The Pensions Regulator (TPR) General code

[1] https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response

3.3.1 The Pensions Regulator's (TPR) long awaited General code of Practice was laid before parliament on 10 January, nearly three years after the original consultation. The code is expected to come into force on 27 March 2024. It replaces Code of Practice 14 for Public Sector Pension Schemes and brings together 10 previous TPR Codes into one single Code.

3.3.2 The General code covers all governance (including investment governance) and administration conduct and practices required of an LGPS fund and TPR has categorised the new code into five areas:

- The Governing Body
- Funding and investment
- Communications and disclosure
- Administration
- Reporting to TPR

3.3.3 Fund officers are currently reviewing the requirements of the new code and will provide a detailed update to the meeting of the Pension Board in March.

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

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60-second summary

Results of the consultation on LGPS investments: next steps

Iain Campbell
Senior Investment Consultant

The government has published the results of its consultation on LGPS investments, confirming its vision for the future on a range of important issues. A vast array of guidance will now be drafted. This short note provides a summary of the government's response to the feedback.

For background on the consultation launch, see our 60-second summary, a longer briefing note, our webinar and our own response.

Pooling

Fewer pools of at least £50bn in size, with scale achieved by pool merger where required – the government has confirmed its intention to proceed with this but has stated there's no intention to force any mergers in the medium term. It also mentions the potential for pools to have £200bn of assets by 2040, when it's been forecast that the LGPS will have total assets of £950bn.

Requirement to pool listed assets by 31 March 2025 – this has also been confirmed; however, it will be on a "comply or explain" basis, with any explanation taking into account value-for-money considerations.

Delegation of manager selection and strategy implementation – the government will produce strengthened guidance on increased levels of delegation to pools in these areas.

Pools providing investment advice to funds – despite the majority of feedback being negative, the government remains in favour of this proposal.

Preferred model of pooling – feedback for the government's specification of a single model of pooling was largely negative. Guidance will, therefore, be provided, focusing on "characteristics and outcomes" rather than specifying a single structure.

Passive assets – these will fall within the "comply or explain" requirement and so may remain outside pools. However, funds must report the nature of the arrangement, the value-for-money case for holding the assets outside the pool, and the date when the arrangement will be reviewed. For any passive assets under the oversight of pools, funds must set out how that is exercised, and report these assets as "under pool management".

Investing in other pools, through your own pool – the government will set out under what circumstances it will be appropriate to invest through your own pool in another pool's product. Funds will not be permitted to invest in other pools' products directly, as the government wishes to prevent competition between pools.

Levelling Up

Definition of Levelling Up investments – the broad definition suggested in the consultation will remain to provide flexibility for funds in finding investments that meet this definition. The government states that investments are "generally expected to provide good returns" but lower-returning investments can also be made under existing guidance on non-financial factors. The guidance will be to increase investment into private markets – public-market investments in providers such as housebuilders will generally not count.

Issues of scale – much of the feedback noted the potential for Levelling Up investments to be too small in scale to access, particularly for pools. The government acknowledges that funds may choose to invest in these opportunities outside of the pool, but encourages as much pool involvement as possible, such as in conducting due diligence and to help manage conflicts of interest.

Up to 5%, or more if you like – the government has confirmed that "an ambition" of 5% is not a limit. Similarly, funds can invest less if they don't find sufficient investment opportunities.

Fiduciary duty – it's made clear that the government doesn't see these requirements as going against fiduciary duty, and that funds should consider investments in Levelling Up projects as they do any other investment.

Private equity

"Allocation ambition" – despite noting the largely negative feedback, the government will push ahead with encouraging funds to invest 10% of assets in private equity. This will not be forced, but funds will be set an allocation ambition.

UK or not? – it's made clear that the purpose of this measure is to encourage investment in the UK; however, this will not be mandated.

Private equity or private markets? – the government recognises that private equity isn't the only asset class that can help boost economic growth in the UK while providing strong returns. Funds can decide where they wish to invest.

British Business Bank (BBB) – pools will be encouraged to work with the BBB to explore investment opportunities in venture and growth capital. A government-led investment vehicle to support pension fund investment in these areas is being explored.

Other issues

There are also requirements placed on funds in relation to committee training and increased reporting, including:

- All funds to publish formal training policies for their committees and report on the training undertaken.
- The government will work with the Scheme Advisory Board to create more transparent and consistent reporting on fund asset allocation and returns. The use of single standardised benchmarks for asset classes has been dropped.
- Funds must also provide an annual update on pooling progress in their annual reports.
- In their investment strategy statements, funds will need to set out a plan for investing up to 5% of assets in Levelling Up projects. And in annual reports they must report on their progress.

Summary

While it's helpful to have some clarity around this wide range of important matters, it appears that, despite noting major concerns put forward by respondents, the government is proceeding with all of the issues set out in the original consultation. Some are softened by taking the form of "comply or explain" or voluntary measures, but a number of key challenges have not been addressed. It remains to be seen what form the guidance will take.

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Brent	**Brent Pension Fund Sub-Committee** 21 February 2024
	Report from the Corporate Director, Finance and Resources

Administering Authority and Employing Authority Discretions

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 - Administering Authority Discretions Appendix 2 - Employing Authority Discretions Template Appendix 3 - How to Exercise Discretion
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 Finance sawan.shah@brent.gov.uk 020 8937 1955 John Smith, Pensions Manager john.smith@brent.gov.uk 020 8937 1985

1.0 Executive Summary

1.1 The Local Government Pension Scheme Regulations give the administering authority and employing authorities a range of discretions in relation to pension matters. The Pension Fund has prepared Brent's Administering Authority

Discretions and a template for Employing Authority discretions with the decision fields left blank. The template can be used as a framework by all the employers in the pension fund to develop their own policies.

2.0 Recommendation(s)

2.1 That the Pension Fund Sub-Committee approves Brent's Administering Authority Discretions as contained in Appendix 1.

2.2 That the Pension Fund Sub-Committee notes the Employing Authority Discretions Template at Appendix 2 together with the Guidance note at Appendix 3.

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 (LGPS) 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 Local Government Pension Scheme Regulations give the administering authority and the employing authorities a range of options in relation to pension matters that are known as discretions. They fall into three categories; (1) a relatively small number that are mandatory and a policy must be published, (2) a slightly larger number that are mandatory but there is no requirement to publish a policy and (3) the largest group are non-mandatory (optional).

3.2.2 Under Regulation 60 of the Local Government Pension Scheme Regulations 2013, a Scheme Employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations16(2)(e) and 16(4)(d) (funding of additional pension), 30(6) (flexible retirement), 30(8) (waiving of actuarial reductions) and 31 (award of additional pension).

3.2.3 An Administering Authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) (waiving of actuarial reductions) in cases where a former employer has ceased to be a Scheme employer.

3.2.4 A discretion is a choice and any option relating to an administering or employing authority that is prefixed by a "may" is a discretion.

3.2.5 In addition to any legal requirement, it is best practice to publish a policy about how an administering/employing authority intends to exercise its discretions as it ensures consistency in decision making and helps to guard against challenges and appeals from discontented parties. It also demonstrates good governance and provides clarity to members of the scheme.

3.2.6 The proposed discretions for the administering authority in relation to requirements under the various acts and regulations relating to the Local Government Pension Scheme set out are attached in Appendix 1. The Sub-committee is asked to review and approve the proposed Administering Authority Discretions.

3.2.7 The employing authority template is attached in Appendix 2 which leaves the decision field blank so that it can be populated by the employer. Employers can design their own bespoke policy or use the template as a framework for developing their own policies.

3.2.8 Any employing authority considering writing a new policy will be referred to the two-page introductory document; “How to exercise discretion” attached in Appendix 3, before drafting it.

3.2.9 The employing/administering authority can change its policy from time-to-time in response to changes in legislation or in the light of experience.

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 Application of discretions including where discretions are applied to individual cases will be considered on their own merits. Where a discretion is applied there may be a financial cost attached however given the nature of discretions it is not possible to estimate the cost. Employers should be aware that use of employer discretions can also attract a financial cost and advice can be sought from Pension Fund officers if necessary.

6.0 Legal Considerations

6.1 As detailed at paragraph 3.2.2, Regulation 60 of the Local Government Pension Scheme Regulations 2013 places an obligation on a Scheme Employer and an Administering Authority to prepare a written statement of its policy in relation to the exercise of various functions under LGPS legislation.

6.2 Officers have reviewed possible LGPS discretions and detailed at Appendix 2 is a list of Administering Authority discretions together with details of the legislation creating the discretions. Officers have suggested possible ways to in which the discretions could be exercised for Pension Fund Sub-Committee review and approval.

6.3 Pension Fund Sub-Committee is required to keep the list of Administering Authority discretions under review.

6.4 Officers have also drafted a list of discretions for which Scheme Employers should have a written policy for note.

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 and 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.

Report sign off:

Minesh Patel
Corporate Director, Finance and Resources

Appendix 1

Administering Authority Discretions

List of discretionary policies applicable from 1 April 2014 in relation to post 31 March 2014 active members (excluding councillor members) and post 31 March 2014 leavers (excluding councillor members), which are discretions exercised under -

Part 1

- **LGPS Regulations 2013 [SI 2013/2356] [R]**
- **LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525] [TP]**
- **LGPS (Administration) Regulations 2008 [SI 2008/239] [A]**
- **LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended) [SI 2007/1166] [B]**
- **LGPS (Transitional Provisions) Regulations 2008 [SI 2008/238] [T]**
- **LGPS Regulations 1997 (as amended) [SI 1997/1612]**

Discretion	Regulation	Policy
Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission.	R4(2)(b)	Brent may agree to an admission agreement in accordance with its Funding Strategy Statement and each case will be considered on its merits.
Whether to agree to an admission agreement with a body applying to be an admission body.	R3(1A), R3(5) & RSch2, Part 3, para 1	Brent may agree to an admission agreement in accordance with its Funding Strategy Statement and each case will be considered on its merits.
Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.	RSch2, Part 3, para 14	Brent may agree to a backdated admission agreement and each case will be considered on its merits.
Whether to terminate an admission agreement in the event of: - insolvency, winding up or liquidation of the body. - breach by that body of its obligations under the admission agreement. - failure by that body to pay over sums due to	RSch 2, Part 3, para 9(d)	Brent may terminate an admission agreement and each case will be considered in accordance with its Funding Strategy Statement and assessed on its merits.

Discretion	Regulation	Policy
the Fund within a reasonable period of being requested to do so.		
Define what is meant by "employed in connection with".	RSch 2, Part 3, para 12(a)	"*Employed in connection with*" in relation to a contract let by a scheme employer to an admitted body shall mean that a member devotes at least 50% of their working time to the transferred function.
Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment).	R16(1)	Brent will only consider contracts for very small sums in exceptional circumstances.
Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC.	R16(10)	Brent will require a satisfactory medical report for APCs/SCAPCs, unless the contract/lump sum relates to lost days (e.g. approved leave without pay (LWOP)).
Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	R16(10)	Brent will decline an APC/SCAPC in the absence of a satisfactory medical report.
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member.	R17(12)	Brent may, at its absolute discretion, consider paying any monies due to the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member and each case will be considered on its merits.

Discretion	Regulation	Policy
Pension account may be kept in such form as is considered appropriate.	R22(3)(c)	The pension account will be administered in accordance with best practice.
Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated.	TP10(9)	Brent may make an election on behalf of a member and each case will be considered on its merits.
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	R30(8)	Brent will only waive actuarial reductions in exceptional circumstances.
Whether to waive in whole or in part actuarial reductions to benefits paid on flexible retirement. **This is only an administering authority discretion if the employing authority has ceased to exist.**	R30(8)	Brent will only waive actuarial reductions in exceptional circumstances
Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age other than on the grounds of flexible retirement (where the member only has post 31 March 2014 membership***).*** **This is only an administering authority discretion if the employing authority has ceased to exist.**	R30(8)	Brent will only waive actuarial reductions in exceptional circumstances.
Whether to require any strain on Fund costs to be paid "up front" by employing authority following payment of benefits under R30(6) (flexible retirement), R30(7) (redundancy / business efficiency), or the waiver (in	R68(2)	Any strain costs must be paid at retirement in accordance with the Funding Strategy Statement.

Discretion	Regulation	Policy
whole or in part) under R30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement.		
Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (other than on the grounds of flexible retirement). **This is only an administering authority discretion if the employing authority has ceased to exist.**	TPSch 2, para 1(2) & 1(1)(c)	Brent will only switch on the 85-year rule in exceptional circumstances.
Whether to waive any actuarial reduction for a member voluntarily drawing benefits before normal pension age other than on the grounds of flexible retirement (where the member has both pre-1 April 2014 and post 31 March 2014 membership): a) on compassionate grounds (pre-1 April 2014 membership) and / or, in whole or in part on any grounds (post 31 March 2014 membership) if the member was not in the Scheme before 1 October 2006, b) on compassionate grounds (pre-1 April 2014 membership) and / or, in whole or in part on any grounds (post 31 March 2014 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will not attain 60 between 1 April 2016 and 31 March 2020 inclusive,	TP3(1), TPSch 2, para 2(1), B30(5) & B30A(5)	Brent will only waive actuarial reductions in exceptional circumstances.

Discretion	Regulation	Policy
c) on compassionate grounds (pre-1 April 2016 membership) and / or, in whole or in part on any grounds (post 31 March 2016 membership) if the member was in the Scheme before 1 October 2006 and will be 60 by 31 March 2016, d) on compassionate grounds (pre 1 April 2020 membership) and / or, in whole or in part on any grounds (post 31 March 2020 membership) if the member was in the Scheme before 1 October 2006, will not be 60 by 31 March 2016 and will attain 60 between 1 April 2016 and 31 March 2020 inclusive. **This is only an administering authority discretion if the employing authority has ceased to exist.**		
Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85-year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1).	TPSch 2, para 2(3)	Any strain costs must be paid at retirement in accordance with the Funding Strategy Statement.
Whether to extend the notice period (three months) which a member must give if they wish to draw benefits before normal pension age or upon flexible retirement.	R32(7)	Brent will only extend the time limit in exceptional circumstances.
Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited	R34(1)(a)	Brent may commute a member's pension benefits in accordance with guidance and each case will be considered on its merits.

Discretion	Regulation	Policy
member had some post 31 March 2014 membership of the 2014 Scheme).		
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004.	R34(1)(b)	Brent may commute a member's pension benefits in accordance with guidance and it will consider each case on its merits.
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme.	R34(1)(c)	Brent may commute a member's pension benefits in accordance with guidance and each case will be considered it will be considered on its merits.
Approve medical advisors used by employers (for ill health benefits).	R36(3)	Brent will maintain a list of approved medical practitioners/providers.
Whether to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme. **This is only an administering authority discretion if the employing authority has ceased to exist.**	TP12(6)	Brent will ask the IRMP to use the correct certificate.
Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health	R38(3)	Brent will consider each case on its merits having regard for the IRMP's opinion.

Discretion	Regulation	Policy
and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner. **This is only an administering authority discretion if the employing authority has ceased to exist.**		
Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health. **This is only an administering authority discretion if the employing authority has ceased to exist.**	R38(6)	Brent will consider each case on its merits having regard for the IRMP's opinion.
Decide to whom a death grant is paid.	TP17(5) to (8), R40(2), R43(2) & R46(2)	Brent may, at its absolute discretion, pay the death grant to or for the benefit of the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member and each case will be considered on its merits.
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership (no double entitlement).	R49(1)(c)	Brent may make an election on behalf of a member and each case will be considered on its merits.
Whether to set up a separate admission agreement fund.	R54(1)	Brent will only consider a separate fund if there is a strong operational or financial benefit in doing so.
Governance Compliance Statement must state whether	R55	

Discretion	Regulation	Policy
the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state: - the frequency of any committee or sub-committee meetings, - the terms, structure and operational procedures appertaining to the delegation, and - whether representatives of employing authorities or members are included and, if so, whether they have voting rights. The policy must also state: - the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying, and - the terms, structure and operational procedures appertaining to the local Pensions Board.		Brent has published a Governance Compliance Statement and it will be reviewed at least annually.
Decide on Funding Strategy for inclusion in funding strategy statement.	R58	Brent has published a Funding Strategy Statement and it will be reviewed at least every three years.
Whether to have a written pensions administration strategy and, if so, the matters it should include. (N.B. This is currently [2024] optional but it is expected to become a requirement).	R59(1) & (2)	Brent has published a Pension Administration Strategy and it will be reviewed periodically.
Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the	R61	Brent has published a Communications Policy and it will be reviewed periodically.

Discretion	Regulation	Policy
promotion of the Scheme to prospective members and their employers.		
Whether to extend the period beyond 6 months from the date an Employer ceases to be a Scheme Employer, by which to pay an exit credit.	R64(2ZAB)(b)	Brent may extend the deadline if the exiting body agrees and each case will be considered on its merits.
Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	R64(2A)	Brent may suspend an obligation to pay an exit payment for up to three years in accordance with its Funding Strategy Statement and each case will be considered on its merits.
Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer.	R64(4)	Brent may obtain a revision of employer's contribution rate if it looks as though it may exit the fund and each case will be considered on its merits.
Decide frequency of payments to be made over to Fund by employers and whether to make an administration charge or a charge relating to the employer's level of performance.	R69(1)	Brent may vary the frequency of payments or levy a charge relating to an employer's level of performance and each case will be considered on its merits.
Decide form and frequency of information to accompany payments to the Fund.	R69(4)	Standard forms must be used, monthly contribution returns must be posted on UPM and employers should publish their discretions.
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance.	R70&TP22(2)	Brent may issue an employer with a notice to recover additional costs incurred due to its level of performance and each case will be considered on its merits.

Discretion	Regulation	Policy
Whether to charge interest on payments by employers which Are overdue.	R71(1)	Brent may charge interest on late payment and each case will be assessed on its merits.
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised.	R76(4)	Appeals will be heard by a senior officer who has had no previous involvement in the case.
Whether administering authority should appeal against employer decision (or lack of a decision).	R79(2)	Brent may appeal against an employer decision or lack thereof to the Secretary of State and each case will be considered on its merits.
Specify information to be supplied by employers to enable administering authority to discharge its functions.	R80(1)(b) & TP22(1)	Standard forms must be used for each process, monthly online contribution returns must be completed on UPM and employers should publish their discretions.
Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: the personal representatives, or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in S6 of the Administration of Estates (Small Payments) Act 1965.	R82(2)	Brent may pay the whole or part of any amount that is due to the personal representatives or anyone appearing to be beneficially entitled to the estate and each case will be considered on its merits.
Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83	Brent may pay the whole or part of a pension to a person caring for the pensioner, or such other person as the authority may determine for the pensioner's benefit. It will require an enduring

Discretion	Regulation	Policy
		power of attorney or other compelling evidence.
Agree to bulk transfer payment	R98(1)(b)	Brent may agree to a bulk transfer payment subject to actuarial advice .
Extend normal time limit for investigating a transfer value beyond 12 months from joining the LGPS.	R100(6)	Brent will only extend the normal time limit in exceptional circumstances.
Allow transfer of pension rights into the Fund. (Please note that club transfers cannot be declined).	R100(7)	Brent may accept transfer values, but it may decline them if it believes that the transfer is disproportionate or the member is selecting against the fund and each case will assessed on its merits.
Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)	Brent may make elections under regulation 10 where the member is deceased and each case will assessed on its merits.
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008).	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & TSch 1 & L23(9)	Brent may make final pay elections in relation to certificates of protection where the member is deceased and each case will assessed on its merits.
Decide to treat child (who has not reached the age of 23) as being in continuous full-time education or vocational training despite a break.	RSch 1 & TP17(9)(a)	Brent may treat a child under 23 as being in continuous full-time education of vocational training despite a break and each case will be determined on its merits.
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of	RSch 1 & TP17(9)(b)	Brent will consider each case on its merits. It will endeavour to be objective, consistent and fair.

Discretion	Regulation	Policy
cohabiting partner and scheme member.		
Decide policy on abatement of pre-2014 element of pensions in payment following re-employment.	TP3(13) & A70(1) & A71(4)(c)	Brent will not abate pensions.
Extend the time period for capitalising added years contracts	TP15(1)(c) & TSsc1 &L83(5)	The period for capitalising added years contracts (three months to elect plus one month to pay) will only be extended in exceptional circumstances.
Decide whether to delegate any administering authority functions under the Regulations.	R105(2)	Any delegated functions must be agreed by the Pension Fund Committee.
Decide whether to establish a joint local pension board (if approval has been granted by the Secretary of State).	R106(3)	Brent has no plans to establish a joint local pension board.
Decide procedures applicable to the local pension board	R106(6)	The procedures are set out in the Board's terms of reference.
Decide appointment procedures, terms of appointment and membership of local pension board.	R107(1)	The procedures are set out in the Board's terms of reference.

Part 2 Members (excluding councillor members) who ceased active membership after 1st April 2008 and before 1st April 2014 which are discretions exercised under -

- **The Local Government Pension Scheme (Administration) Regulations 2008 [SI 2008/239] [prefix A]**
- **The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [SI 20071166] [prefix B]**
- **The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [SI 2008/238] [prefix T]**
- **The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525] [prefix TP]**
- **The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] [prefix R]**
- **The Local Government Pension Scheme Regulations 1997 {SI 1997/1612] (as amended) [prefix L]**

Discretion	Regulation	Policy
Extend the time limit for capitalising an added years contract where the member leaves his employment on the grounds of redundancy.	TR15(1)(c) & TSch1 & L83(5)	The period for capitalising added years contracts (three months to elect plus one month to pay) will only be extended in exceptional circumstances.
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	A45(3)	Brent may recover the contributions from benefits, with the member's consent, or as a simple debt.
Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: (1) personal representatives, or (2) anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.	A52(2)	Brent may pay the whole or part of an amount that is due to the personal representatives or anyone appearing to be beneficially entitled to the Estate and each case will be considered on its merits.

Discretion	Regulation	Policy
Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or a suspended Tier 3 ill health pension).	A56(2)	Brent will maintain a list of approved medical practitioners/providers.
Decide procedure to be followed by administering authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised.	TP23 & R76(4)	A senior officer who has had no previous involvement in the case will hear stage 2 appeals.
Whether administering authority should appeal against employer decision (or lack of a decision).	TP23 & R79(2)	Brent may appeal to the Secretary of State against an employer decision or the lack thereof.
Specify information to be supplied by employers to enable administering authority to discharge its functions.	TP23, TP22(1) & R80(1)(b)	Information must be submitted using standard forms, and employers are asked to publish discretion policies.
Decide policy on abatement of pensions following re-employment.	TP3(13) & A70(1) & A71(4)(c)	Brent will not abate pensions.
Where member to whom B10 applies (use of average of 3 years pay within the period of 13 years ending with the last day of active membership for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	B10(2)	Brent may make a decision on behalf of a deceased member under regulation B10(2) and each case will be considered on its merits.
Whether to pay the whole or part of a child's pension to another person for the benefit of that child	B27(5)	Brent may pay the whole or part of a child's pension to another person for the benefit of the child upon receipt of a power of attorney or other relevant documents.

Discretion	Regulation	Policy
Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	A52A	Where a person, other than an eligible child, is incapable of managing their affairs Brent may pay the whole or part of their pension to another person for their benefit upon receipt of a power of attorney or other relevant documents.
Whether to "switch on" the 85-year rule for a member voluntarily drawing benefits on or after age 55 and before age 60. **This is only an administering authority discretion if the employing authority has ceased to exist.**	TPSch 2, para 1(2) & 1(1)(c)	Brent will only switch on the 85-year rule in exceptional circumstances.
Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30 (member). **This is only an administering authority discretion if the employing authority has ceased to exist.**	B30(5), TPSch 2, para 2(1)	Brent will only waive actuarial reductions in exceptional circumstances.
Whether to "switch on" the 85-year rule for a pensioner member with deferred benefits voluntarily drawing benefits on or after age 55 and before age 60. **This is only an administering authority discretion if the employing authority has ceased to exist.**	TPSch 2, para 1(2) & 1(1)(c)	Brent will only switch on the 85-year rule in exceptional circumstances.
Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A (pensioner member with deferred benefits). **This is only an administering authority discretion if the employing authority has ceased to exist.**	B30A(5), TPSch 2, para 2(1)	Brent will only waive actuarial reductions in exceptional circumstances.

Discretion	Regulation	Policy
Whether to require any strain on Fund costs to be paid “up front” by employing authority if the employing authority “switches on” the 85 year rule for a member voluntarily retiring prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1).	TPSch 2, para 2(3)	Brent will require employers switching on the 85-year rule to pay a strain cost at retirement.
Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria**. This is only an administering authority discretion if the employing authority has ceased to exist.**	B31(4)	Brent will consider each case on its merits having regard for the IRMP’s opinion.
Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment. **This is only an administering authority discretion if the employing authority has ceased to exist.**	B31(7)	Brent will consider each case on its merits having regard for the IRMP’s opinion.
Decide to whom a death grant is paid.	B23(2), B32(2), B35(2), TSch1 & L155(4)	Brent, at its absolute discretion, may pay a death grant to or for the benefit of the member’s nominee or personal representatives, or any person appearing to the authority to have been his relative or dependant at any time and each case will be considered on its merits.
Decide the evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	RSch1 & TP17(9)(b	Brent will consider each case on its merits. It will endeavour to be objective, consistent and fair.

Discretion	Regulation	Policy
Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break.	RSch 1 & TP17(9)(a)	Brent will consider each case on its merits.
Decide whether to trivially commute a member’s pension under section 166 of the Finance Act 2004.	B39(1)(a) & T14(3)	Brent may trivially commute pensions in accordance with guidance and each case will be assessed on its merits.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004. R39(1)(b)	R39(1)(b)	Brent may trivially commute a lump sum death benefit in accordance with guidance and each case will be assessed on its merits.
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and pension credit members).	R39(1)(c)	Brent may trivially commute pensions in accordance with guidance and each case will be assessed on its merits.
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership (no double entitlement).	B42(1)(c)	Brent may make an election on behalf of the member and each case will be considered on its merits.
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008).	TSch 1 & L23(9)	Brent may make an election on behalf of a deceased member and each case will be considered on its merits.

Part 3 Members who ceased employment after 1st April 1998 and before 1st April 2008 which are discretions exercised under -

- **The Local Government Pension Scheme Regulations 1997 (as amended) [SI 1997/1612]**
- **The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [SI 2008/238] [prefix T]**
- **The Local Government Pension Scheme (Administration) Regulations 2008 [SI 2008/239] [prefix A]**
- **The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] [prefix R]**
- **The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525] [prefix TP]**

Discretion	Regulation	Policy
Frequency of payment of councillors' contributions.	12(5)	Councillors are no longer eligible to participate in the scheme.
Extend normal 12 month period following the end of relevant reserve forces leave for a "cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces leave.	17(4), (7), (8), 89(4) & Sch 1.	Councillors are no longer eligible to participate in the scheme.
Whether to "switch-on" the 85-year rule for a deferred member voluntarily drawing benefits on or after 55 and before 60 (although there is no requirement under R60 the LGA believes that this is an oversight). **This is only an administering authority discretion if the employing authority has ceased to exist.**	TPSch 2, para1(2) & 1(1)(f) & R60	Brent will only "switch-on" the 85-year rule in exceptional circumstances.
Waive on compassionate grounds the actuarial reduction applied to deferred benefits paid early. **This is only an administering authority discretion if the employing authority has ceased to exist.**	31(5) &TPSch 2 para 2(1)	Brent will only waive actuarial reductions in exceptional circumstances.

Discretion	Regulation	Policy
Decide to whom death grant is paid. 38(1) & 155(4)	38(1) & 155(4)	Brent, at its absolute discretion, may make payments to or for the benefit of the member's nominee or personal representative or any person appearing to the authority to have been his relative or dependant at any time and each case will be considered on its merits.
Decide to treat child (who has not reached the age of 23) as being in continuous education or vocational training despite a break.	TP17(9)(a) & RSch 1 A	Brent may treat a period of education as continuous despite a break and each case will be assessed on its merits.
Apportionment of children's pension amongst eligible children.	47(1)	The pension will usually be divided equally between the children, but each case will be assessed on its merits.
Pay child's pension to another person for the benefit of the child.	47(2)	Brent may pay the pension to another person for the child's benefit upon receipt of a power of attorney or other relevant documents.
Decide whether to trivially commute a member's pension under pre-1 April 2008 leavers or Pension Credit members where the effective date of the Pension Sharing Order was pre-1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme).	49(1) & T14(3)	Brent may trivially commute pension benefits in accordance with guidance and each case will be assessed on its merits.
Decide whether to trivially commute a lump sum death	49(1)	Brent may trivially commute pension benefits in accordance with

Discretion	Regulation	Policy
benefit under section 168 of the Finance Act 2004.		guidance and each case will be assessed on its merits.
Decide whether to commute benefits due to exceptional ill-health (including Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme).	50 and 157	Brent may commute pension benefits on the grounds of exceptional ill-health but each case will be assessed on its merits.
Whether acceptance of AVC election is subject to a minimum payment (councillors only). 60(5)	60(5)	Councillors are no longer eligible to participate in the scheme.
Whether to require any strain on Fund costs to be paid "up front" by employing authority following early voluntary retirement of a councillor, or early payment of a deferred benefit on health grounds or from age 50 and prior to age 55 with employer consent.	80(5)	Any strain cost must be paid at the time of retirement.
Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring on or after age 55 and prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1).	TPSch 2, para 2(3)	Any strain cost must be paid at the time of retirement.
Frequency of employer's payments to the fund (in respect of councillor members). 81(1)	81(1)	Councillors are no longer eligible to participate in the scheme.

Discretion	Regulation	Policy
Form and frequency of information to accompany payments to the Fund (in respect of councillor members).	81(5)	Councillors are no longer eligible to participate in the scheme.
Whether to charge interest on payments by employers overdue by more than 1 month (in respect of councillor members). 82(1)	82(1)	Councillors are no longer eligible to participate in the scheme.
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	89(3)	Contributions may be recovered from benefits, with the member's consent, or as a simple debt (after one year).
Timing of pension increase payments by employers to fund.	91(6)	Any payments will be recharged quarterly.
Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: (1) the personal representatives, or (2) anyone appearing to be beneficially entitled to the estate without need for a Grant of Probate / Letters of Administration where payment is less than the amount specified in Section 6 of the Administration of Estates (Small Estates) 1965.	95	Brent may make payment under Section 6 to the personal representatives, or any person or persons appearing to be beneficially entitled to the estate without the production of a grant of probate or letters of administration of his estate - and each case will be assessed on its merits.
Approve medical advisors used by employers.	97(10)	Brent maintains a list of approved medical practitioners/providers.
Decide procedure to be followed by admin authority when exercising its stage two	TP23 & R76(4)	A senior officer who has had no previous involvement in the case will hear stage 2 appeals.

Discretion	Regulation	Policy
IDRP functions and decide the manner in which those functions are to be exercised.		
Whether administering authority should appeal against employer decision (or lack of a decision)	TP23 & R79(2)	Brent may appeal to the Secretary of State against an employer decision or lack of a decision and each case will be considered on its merits.
Specify information to be supplied by employers to enable administering authority to discharge its functions.	TP23 & TP22(1) & R80(1)(b)	The standard forms should be used and employers should publish their discretions.
Date to which benefits shown on annual deferred benefit statement are calculated.	106A(5)	The date the Pensions Increase award is effective from.
Abatement of pensions following re-employment.	TP3(13), A70(1) & A71(4)(c)	Brent will not abate pensions.
Retention of Contributions Equivalent Premium (CEP) where member transfers out.	118	Brent will not retain the CEP if a member transfers-out (it is no longer possible to pay a CEP).
Discharge Pension Credit liability. (Note; a pension credit can be used to purchase a pension credit in the scheme or a CETV can be used to acquire pension benefits with an appropriate alternative provider).	147	Brent may discharge its liability by either (1) awarding a pension credit in the LGPS or (2) by *"paying the amount of the credit to the person responsible for a qualifying arrangement with a view to acquiring rights under that arrangement for the person entitled to the* credit" and each case will be assessed on its merits.

Part 4 Members who ceased membership before 1st April 1998 which are discretions exercised under -

- **The Local Government Pension Scheme Regulations 1995 (as amended) [SI 1995/1019]**
- **The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 [SI 1997/1613] [prefix TL]**
- **The Local Government Pension Scheme Regulations 1997 [SI 1997/1612] (as amended) [prefix L]**
- **The Local Government Pension Scheme (Administration) Regulations 2008 [SI 2008/239] [prefix A]**
- **LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525] [TP]**
- **The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] [prefix R]**

Discretion	Regulation	Policy
Grant application for early payment of deferred benefits on or after age 50 on compassionate grounds. Although the common provisions of the 1997 transitional Provisions do not specify D11(2)(c) the intention was that it should apply**. This is only an administering authority discretion if the employing authority has ceased to exist.**	TP3(5A)(vi), TL4, L106(1) & D11(2)(c)	Brent will only agree to compassionate retirement in exceptional circumstances and only below age 55 in truly exceptional circumstances (if it is paid before age 55 it may be an unauthorised payment).
Decide to whom death grant is paid.	E8	Brent may pay or apply the whole or any part of the lump sum death grant payable under regulations E1(1), E2(1), E3(1) or E4(1) to or for the benefit of all or any of the surviving spouse, children, dependants, relatives, personal representatives or nominated beneficiaries of the deceased member in such shares as the administering authority

Discretion	Regulation	Policy
		shall at its absolute discretion decide and each case will be considered on its merits.
Whether to pay spouse's pensions for life (rather than ceasing during any period of remarriage or co-habitation).	F7	Brent will pay spouses pensions for life.
Decide to treat child (who has not yet reached the age of 23) as being in continuous education or vocational training despite a break.	TP17(9)(a) & RSch 1	Brent may decide that education is continuous despite a break and each case will be considered on its merits.
Apportionment of children's pension amongst eligible children.	G11(1)	Brent will usually divide the pension equally between the children, but each case will be considered on its merits.
Pay child's pension to another person for the benefit of the child.	G11(2)	Brent may pay the pension to another person for the child's benefit upon receipt of a power of attorney or other relevant documents.
Abatement of pension following re-employment	TP3(13), A70(1) & A71(4)(c)	Brent will not abate pensions.
Decide procedure to be followed by administering authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised.	TP23 & R76(4)	A senior officer who has had no previous involvement in the case will hear stage 2 appeals.
	TP23 & R79(2)	

Discretion	Regulation	Policy
Whether administering authority should appeal against employer decision (or lack of a decision).		The Administering Authority may appeal to the Secretary of State and each case will be considered on its merits.
Specify information to be supplied by employers to enable administering authority to discharge its functions.	TP23, TP22(1) & R80(1)(b)	The standard forms should be used and the employer should publish its discretions.

Part 5 Discretionary policies in relation to former employees of an employing authority that is a body that is a scheduled body, a designate body, or a body that is deemed to be a scheduled body under the LGPS Regulations 2013 and equivalent predecessor regulations (excluding admitted bodies) where such discretions are exercised under -

- **The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended) [SI 2000/1410]**

Discretion	Regulation	Policy
Agree to pay annual compensation on behalf of employer and recharge payments to employer.	31(2)	Any compensation will be recharged quarterly.

Part 6 Discretionary policy to be maintained by administering authority where discretions are exercised under -

- **The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791]**

Discretion	Regulation	Policy
To decide whether it is legally able to offer voluntary scheme pays (to determine legality see paragraph 223 onwards of the Annual Allowance guide published under the 'Guides and sample documents page of www.lgpsregs.org); and, if so, to decide the circumstances (if any) upon which it would do so.	The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 - regulation 2	Brent may consider voluntary scheme pays in relation to LGPS scheme benefits and each case will be considered on its merits. Brent understands that it may do this using its general powers of competence under the Localism Act 2011, notwithstanding regulation 84 (non-assignability).

Appendix 2

No.	Area	Regulation	Discretion	Policy Summary	Explanation
1	**Whether to vary an employee's contribution band**	Regulations 9 and 10 Pensions Regulations	Members must pay pension contributions at the appropriate rate set on 1st April or the first day of active membership, if later. The employer may vary the contribution rate if there is a change in employment or a material change that affects the member's pensionable pay.		Contribution bands are set on 1st April, but the employer may change them if a member changes jobs or has a material pay increase / decrease.
2	**Whether to increase assumed pensionable pay in certain specific circumstances**	Regulation 21(5), 21(5A) and 21(5B) Pension Regulations	If a member is absent because of illness, child related leave or reserve forces leave their pension benefits may be based on assumed pensionable pay (APP). If, in the employer's opinion, the member's APP is materially lower than their pay in the twelve months preceding the absence they can either include (1) a "regular" lump sum received during that period or (2) substitute a higher pensionable pay having regard for their earnings in that period.		If a member's APP is lower than their regular pensionable pay the employer can either substitute a higher rate of pay, based on the pay they received in the year before the absence began, or include regular lump sums received during that period.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
3	**Funding of Additional Pension Contributions**	Regulations 16(2)(e) and 16(4)(d) Pensions Regulations,	Whether to fund, in whole or in part, a shared cost additional pension contributions (SCAPC) on behalf of an active member by regular contributions (Regulation 16(2)(e)) or by lump sum (Regulation 16(4)(d)). **Note:** The amount of additional pension that may be credited to an active member's pension accounts may not exceed the overall additional pension limit of £7579 (1st April 2023 and uplifted annually).		The employing authority can choose to pay additional pension contributions on behalf of active employees.
4	**Shared Cost Additional Voluntary Contributions (SCAVCs)**	Regulation 17(1) and Schedule 1 (definition of SCAVC) Pension Regulations.	Whether to contribute towards a Shared Cost Additional Contribution arrangement. Pre-2014 SCAVCs also fall under Regulation 17 by virtue of Regulation 15(2A) Transitional Regulations.		An employer can choose to contribute towards a SCAVC.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
5	**Whether to grant early payment of pension on compassionate grounds (pre-1st April 1998 leavers)**	Regulation D11(2)(c) of 1995 Regulations	Whether to agree to early payment of pension benefits on or after age 50 on compassionate grounds. The employer should note that pension benefits paid before age 55 may attract an unauthorised payments surcharge and they may have to pay a strain cost because the pension benefits cannot be reduced.		The employer may agree to payment from age 50, but they may incur an unauthorised payments surcharge and/or a capital cost.
6	**Whether to grant early payment of pension (leavers from 1st April 1998 to 31st March 2008)**	Regulation 31(1)/(2) of 1997 Regulations	Whether to agree to early payment of pension benefits on or after age 50 and before age 55 on compassionate grounds. The employer should note that pension benefits paid before age 55 may attract an unauthorised payments surcharge.		The employer may agree to payment from age 50 to 55, but they may incur an unauthorised payments surcharge.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
7	**Flexible Retirement**	Regulation 30(6), Pensions Regulations Regulations 11(2) and (3) of Transitional Regulations	Whether to agree to an employee aged 55 or over reducing their hours of work or their grade so that they may receive all or some of their retirement pension while still employed. Whether, in addition to any pre-1st April 2008 pension benefits which the member must draw, to permit the member to draw; (a) all, part or none of benefits accrued between 1st April 2008 and 31st March 2014 and (b) all, part or none of the pension benefits built up after 31st March 2014		The employing authority can agree to an employee aged 55 or over drawing all or some of their pension and continuing to work on reduced hours or pay. The employer should note that granting consent would trigger the 85-year rule and may require a capital payment.
8	**Switching-on the 85-year rule**	Schedule 2 of Transitional Regulations	Whether to switch on the 85-year rule under Regulation 1(2) and 1(3) of Schedule 2 of the Transitional Regulations.		The employer can agree to switch on the 85-year rule, which may mitigate reductions that would, otherwise, apply but the employer may have to make a capital payment.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
9	**Waiving of Actuarial Reduction to Pensions**	Regulation 30(8), Pensions Regulations Schedule 2 of Transitional Regulations	(Post 2014) Whether to agree to waive, in whole or in part, any actuarial reduction that would otherwise apply to the pension paid to a former employee aged 55 or over under 30(5) or 30(6) [flexible retirement] using regulation 30(8) of the Pension Regulations. (Pre-2014) Whether to waive actuarial reductions entirely under 30(5) or 30A(5) [deferred pensioner members] of the Benefits Regulations and Regulation 2(1), of Schedule 2 of the Transitional Regulations.		The employing authority can agree to waive reductions to the pension of a member aged 55 or over who has left employment or been granted flexible retirement. The employer may be required to make a capital payment if they do so.

10	**Award of Additional Pension**	Regulation 31, Pensions Regulations	To award additional pension at full cost to the employer: (1) an active member; or (2) a former active member who was dismissed by reason of redundancy, business efficiency or mutual consent on grounds of business efficiency. **Note:** Any additional pension awarded (including any additional pension purchased by the employer or the member under Regulation 16 of the Pensions Regulations) may not exceed the overall additional pension limit of £7,579 (1st April 2023 and uplifted annually). Additionally, in the case of a member falling within (2) above, the resolution to award additional pension must be made within 6 months from the date on which the employment ended.		This means the employing authority has the power to award additional pension to an active member. The employer can also award additional pension to members who leave on the grounds of redundancy, business efficiency or mutual consent on grounds of business efficiency – up to six months after termination; however, care would need to be exercised in relation to the Guidance on Special Severance Payments. The employer would be required to make a capital payment (in addition to the cost of purchase) if the

No.	Area	Regulation	Discretion	Policy Summary	Explanation
					member retired early on any grounds apart from permanent ill-health.
11	**Aggregation of Benefits: Concurrent Employments**	Regulation 22 (7)(b), Pensions Regulations	Whether to allow an active member with concurrent employments, who ceases an employment with an entitlement to a deferred pension, more than 12 months to elect **not** to have their deferred pension aggregated with their active member's pension account.		The employing authority can allow a member who leaves one of two (or more) employments - held at the same time - longer than 12 months to elect **not** to combine the deferred pension with the ongoing active pension.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
12	**Aggregation of Benefits: Deferred Member becoming Active Member**	Regulation 22 (8)(b), Pensions Regulations	Whether to allow a deferred member who becomes an active member longer than 12 months in which to elect not to have their deferred benefits aggregated with the benefits in their active member's pension account.		The benefits are usually aggregated (joined-up) unless the member elects to keep them separate. The employing authority can agree to a former member having longer than 12 months to choose not to combine their pensions.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
13	**Aggregation of Benefits: Deferred Member becoming Active Member (pre-2014 membership)**	Regulation 10(6)(b) Transitional Regulations	Whether to allow a deferred member who becomes an active member longer than 12 months in which to elect for their pre-2014 deferred benefits to be aggregated with their active member's pension account (but, technically, they would lose the final salary link if they have not made an election under 5(5) Transitional Regulations within twelve months of becoming an active member of 2013 scheme).		The pre-2014 preserved benefits will be kept separate **unless** the member makes a positive election to aggregate them. The employing authority can agree to a former member having longer than 12 months to choose to combine their pensions.
14	**Whether to recover any monetary obligation**	A 74(2)	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than transferred in pension rights or AVCs/SCAVCs) where the obligation was incurred because of a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the person has left employment		Where a person is leaves employment because of a criminal or fraudulent act the employer can try to recover the loss from their pension benefits.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
15	**Inward Transfer of Pension Rights**	Regulation 100, Pensions Regulations	Whether to allow an employee who has been an active member in their current employment for more than 12 months to ask for the transfer of certain accrued pension rights to be considered. Note: Regulation 100(6) of the Pensions Regulations requires that a request must be made within 12 months beginning with the date on which the member first became an active member in an employment or such longer period as the employer and the Administering Authority may allow. The discretion is, therefore, only exercisable if both the Employing Authority and the Administering Authority agree.		Members who have been in the pension scheme for more than twelve months can ask for a transfer-in to be considered - but it will only be investigated if **both** the employing authority and the administering authority agree.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
16	**Spouse's CAY pensions**	21(7) The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)	Whether to cancel the suspension rule where the spouse of a person who ceased employment before 1 April 1998 remarries, enters a new civil partnership or cohabits after 1 April 1998.		Spouse's pensions based on pre-1998 CAY may be suspended during periods of remarriage or cohabitation.
17	**Compensatory added years (CAY)**	Regulation 19 The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)	How to reduce a pensioner's annual compensatory added years' pension and lump sum if, following the cessation of a period of re-employment in local government, they can count more membership than they could have accrued had they worked to 65.		CAY pensions may be reduced when re-employment ends if the member's total pension exceeds the amount they could have received had they worked to 65.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
18	**Redundancy Payments**	Regulation 5, Compensation Regulations 2006	Whether to base redundancy pay on actual pay if it exceeds the statutory maximum under the Employment Rights Act 1996 (£643 per week from 6th April 2023).	.	The employer can base the calculation of a week's pay for redundancy on actual pay if it exceeds the statutory limit.

19	**Compensation for loss of Employment**	Regulation 6, Compensation Regulations 2006	Whether to pay compensation to a person whose employment ceases - by reason of redundancy; - in the interests of the efficient exercise of the employing authority's functions; or in the case of a joint appointment, because the other holder of the appointment leaves Note: Compensation may not be paid under this Regulation if: - a person has been awarded additional pension by the employer under Regulation 31 of the Pension Regulations; or (by virtue of the Interpretation Act 1978) - a person's period of membership of the Pension Scheme has been increased under Regulation 12 of the Benefits Regulations 2007; or - a person has been awarded an additional pension under Regulation 13 of the Benefits Regulations 2007.	*Note: the employer should be aware of age discrimination issues when formulating a policy.* *It should not use redundancy ready reckoner for any other type of leaver. This is because it is only exempt from age discrimination legislation for redundancy and only then in its original form (not multiples thereof).* *If it is used for any other purpose, the ready reckoner may be directly discriminatory (the weekly multiplier increases with age) and indirectly discriminatory (only*	The employing authority can make an award of up to 104 week's pay (less any redundancy payment payable).

No.	Area	Regulation	Discretion	Policy Summary	Explanation
			- The amount of compensation paid under this Regulation may not exceed 104 weeks' pay <u>less</u> any redundancy payment payable. - In all cases the decision to pay compensation under this Regulation must be made no later than 6 months after the date the person's employment terminates.	*older members can accrue the maximum 20 years).*	

20	**Injury Allowances**	14(1) of the Compensation Regulations 2011	Scheme employers (LGPS employers), **apart from admission bodies**, must formulate, publish and keep under review a policy on: 1. whether to make an injury award to those who sustain an injury or contract a disease because of anything they were required to do in performing the duties of their job and in consequence of which they: ○ suffer a reduction in remuneration, or ○ cease to be employed because of an incapacity which is likely to be permanent and which was caused by the injury or disease, or ○ die leaving a surviving spouse, civil partner or dependant, and if the Scheme employer has a policy to make such payments, how it will determine the amount of injury		An employing authority may award an injury allowance to employees who contract an injury or illness related to their employment.

No.	Area	Regulation	Discretion	Policy Summary	Explanation
			allowance to be paid and whether and when to terminate it.		

Appendix 3

How to exercise discretion

Although it may seem daunting, completing a discretions policy is not as challenging as you may think. In essence, a discretion is a choice and the key to exercising discretion properly is maintaining your freedom to choose.

With this in mind, we recommend that you complete your discretions policy by choosing one of three stock phrases -

If you would like to do something you can employ: **"The employing authority may award (discretion) but each case will be considered on its merits."**

If you do not want to something you can say: **"The employing authority will only award (discretion) in exceptional circumstances."**

If you are not sure about whether you will or will not do something you can deploy: **"The employing authority will not generally award (discretion) but each case will be considered on its merits."**

The point of these phrases is that they indicate intent without restricting the employer's freedom to choose. An employer may be inclined to do something, but they might not want to do it for an employee who has defrauded them. Equally, they might not want to do something but find themselves confronted by a particularly sensitive case. Moreover, discretion can only be exercised lawfully if the employer maintains their freedom to choose and, if they say they will always do this or never do that, they have restricted their freedom to choose and are said to have "fettered their discretion".

You should also be mindful of the Equalities Act 2010, which requires you treat all staff equally, regardless of age, unless any divergence can be objectively justified.

One last point to consider is that is always a good idea to record the decision-making process, particularly when it is a contentious case. This is necessary to resist challenges from disappointed active, deferred and pensioner members who may try to identify a comparator whose case has been approved. That is why you should always set out your reasons when considering a case that justifies making an exception to your published policy.

The keys to exercising discretion properly are;

- Acting in good faith and for a proper purpose
- Complying with legislative procedures
- Considering only relevant considerations and ignoring irrelevant ones
- Acting reasonably and on reasonable grounds
- Making decisions based on supporting evidence

• Giving adequate weight to a matter of great importance but not giving excessive weight to a matter of no great importance

• Giving proper consideration to the merits of the case

• Ensuring that the person affected by the decision is dealt with in a way that provides procedural fairness and

• Exercising the discretion independently and not under the dictation of a third person or body.

In short, you should aim for a decision that a reasonable person acting reasonably would made having regard for the principles set out above.

NB This document has been prepared on the Pension Fund's understanding of the LGPS Regulations; therefore whilst it represents the views of the Pension Fund it should not be treated as a complete and authoritative statement of the law. Employers may wish, or will need, to take their own legal advice on the interpretation of any particular regulations. No responsibility whatsoever will be assumed by the Fund for any liability, financial or otherwise, incurred by employers relying on this statement. The Pension Fund does not accept any responsibility for reliance on the contained, or referred to, in this document.

Brent	**Brent Pension Fund Sub-Committee** 21 February 2024
	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:	Two: Appendix 1 - LAPPF Engagement Report Q3 2023 Appendix 2 - LAPFF Engagement Report Q4 2023
Background Papers:	N/A
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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 to achieve its objectives.

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report.

3.0 Contribution to Borough Plan Priorities & Strategic Context

3.1 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.

4.0 Background of LAPFF

4.1 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.

4.2 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.

4.3 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.

5.0 Engagements Conducted by LAPFF

5.1 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. The full report is attached in Appendix 1 (for Q3 2023) and Appendix 2 (for Q4 2023) and highlights the achievements during relevant periods.

Mining Communities and Workers

5.2 LAPFF have engaged with several mining conglomerates such as Anglo American, BHP, Glencore and Rio Tinto and have impressed the importance of managing human rights risks and the environmental impacts of their operations. LAPFF have since expanded their engagements to meet with representatives from Grupo Mexico, after being approached by community members affected by the 2014 leak at one of the mining company's tailings ponds in Sonora, Mexico.

5.3 Following a direct engagement with the chair of Grupo Mexico, LAPFF have met with Sonora community groups affected by local mining operations, where a platform will be created to improve human rights practices of Grupo Mexico. The overall aim will be to avoid further environmental damage caused by its industrial activity and mitigate the potential reputational risks which may affect its investors.

Minimum Wage

5.4 In June 2023, the Department of Business and Trade had investigated a number of companies in breach of wage floor requirements, which included listed firms such as WH Smith, Marks & Spencer, Argos and Whitbread. In a letter to these four companies, LAPFF had requested details outlining how such incidents occurred, the actions taken to address these breaches and how they will be prevented in the future.

5.5 LAPFF place emphasis on the intrinsic need for good employment practices, which engender corporate prosperity and long-term investment value. In recognition of these values, all four firms submitted prompt responses to LAPFF, which will continue to monitor and approach companies found to be in transgression of labour laws.

Taylor Wimpey

5.6 Housing is a major contributor to greenhouse gas emissions and is therefore a point of focus for environmental regulation. LAPFF seeks to engage housebuilders on having credible transition plans to manage the climate risks associated with overall emissions and the specific consumer and regulatory risks faced by housing companies.

5.7 LAPFF met directly with the Chair of Taylor Wimpey to discuss the company's approach to climate change. Following LAPFF's last engagement with the housebuilding firm, Taylor Wimpey has since produced a transition plan which outlines its emissions targets and a commitment to achieving net zero by 2045. By extension, this plan covered their approach to mitigating operational and residual emissions, as well as emissions from when homes are sold and peripheral supply chain emissions from the use of concrete and diesel.

Shell

5.8 Shell has suffered from historically poor investment performance over the last 20 years, which has been indicative of substandard long-term decision making, prompting the company to become the subject of special focus from LAPFF. This is particularly due to Shell's size, both in terms of the scale of its emissions and its systemic importance as a producer of oil and gas. LAPFF has provided critique in its voting alerts since 2020, highlighting the waning investment prospects facing Shell if it does not respond accordingly to the demands of net zero transition. This coincides with recent commentary from Shell executives at the Shell AGM in May 2023, where scrutiny was placed on refining the firm's business model and revising expectations for future revenue growth.

Water Companies and Sewage Pollution

5.9 Water companies are facing considerable reputational risks and regulatory scrutiny surrounding their environmental performance, in particular their use of storm overflow drains. These drains are designed to stop water backing up domestic residences during periods of heavy rainfall, however there is the potential of causing sewage being released into waterways. As water companies are effectively regional monopoly suppliers subject to environmental and economic regulation, there are considerable regulatory risks, not least those driven by current reputational perceptions and public concern.

5.10 LAPFF Chair, Cllr Doug McMurdo, met with the Chair of Severn Trent to discuss the issues currently facing the industry. Cllr McMurdo welcomed news that the water supplier was ahead of its targets on reducing overflows, as well as refining its long-term plans to address climate change, such as capturing emissions from the sewage treatment process. While there is significant negative publicity surrounding sewage leaks, LAPFF continues to press water suppliers to carry their plans forward to address the environmental implications of their operations.

National Grid

5.11 LAPFF has been working alongside two major investors of the CA100+ Working Group, the Church of England and Northern Trust, in order to improve transparency of the National Grid's disclosures on direct and indirect lobbying. The CA100+ benchmark places the National Grid below its peer companies on lobbying. In June 2023, the National Grid pledged to publish its trade association memberships and updated climate policy ahead of its next AGM.

5.12 LAPFF has also engaged with the National Grid's Chief Sustainability Officer, who outlined the positive developments of new regulatory changes which permitted an outstanding backlog of grid connections to be cleared. In addition, regulatory easing will allow non-performing projects to be terminated and to fast-track projects which are viable. Overall, these changes are expected to contribute towards the goal of decarbonising power systems by 2030.

SAP

5.13 The governance of new technology is a well-recognised investment risk, an issue which has gathered significant attention following advances in AI technologies. Alongside the potential benefits of AI, it also has the potential to adversely impact employment and create human rights risks, such as those surrounding recruitment discrimination. As with other human rights risks, LAPFF expects technology companies to have due diligence policies in place to prevent negative impacts.

5.14 LAPFF executive Heather Johnson met with German technology firm SAP to discuss contingency planning for adverse impacts of AI, including the avoidance of discrimination of legally protected characteristics during hiring processes. LAPFF will continue to hold technology firms accountable to ensure appropriate frameworks and safeguards are in place to mitigate the risks posed by new innovations.

6.0 Stakeholder and ward member consultation and engagement

6.1 There are no direct considerations arising out of this report.

7.0 Financial Considerations

7.1 There are no direct financial considerations arising out of this report.

8.0 Legal Considerations

8.1 There are no legal considerations arising out of this report.

9.0 Equality, Diversity & Inclusion (EDI) Considerations

9.1 There are no equality considerations arising out of this report.

10.0 Climate Change and Environmental Considerations

10.1 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.

11.0 Human Resources/Property Considerations (if appropriate)

11.1 There are no HR or property considerations arising out this report.

12.0 Communication Considerations

12.1 There are no communication considerations arising out of this report.

<u>Report sign off:</u>

Minesh Patel
Corporate Director of Finance and Resources

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Quarterly Engagement Report

July-September 2023

Local Authority Pension Fund Forum

Climate and Finance Engagement, Minimum Wage, Water Companies, New Member

UPDATES

Smoke from Canadian wildfires blows south over New York, June 2023

Climate and Finance

Objective: LAPFF has been engaging with financial institutions on climate for a number of years now. Most notably, it has issued voting alerts for Barclays, HSBC, and Standard Chartered in recent years. In 2020, LAPFF also sent letters to 11 insurers asking how they approached climate change from a strategic perspective. Discussions with these companies suggested that they tended to approach climate in terms of its effect on the companies rather than in terms of the companies' effects on climate.
While investors are clearly interested in the impact climate change is having on insurers, LAPFF's approach is to ask first what companies' impacts are on climate. This approach aligns with the approach set out in the UN Guiding Principles on Business and Human Rights, which call for companies to assess their impacts on human rights and rights holders before assessing the impact of human rights on their businesses. This framing is supported not least because risks to the business are missed if the human rights and impact analysis is not undertaken. In LAPFF's experience, the same logic applies in relation to climate change. LAPFF therefore began a process of following up with the eleven insurers, but also expanded the engagement to cover additional insurers of global impact in which LAPFF holds a significant number of shares. It also wrote to large global banks in which members have large holdings. Finally, in line with a growing interest of the LAPFF membership in biodiversity and environmental impacts of climate change, the engagement will explore these companies' strategies in relation to natural resources and their link to climate.

Cover image: ask first what companies' impacts are on climate

Achieved: LAPFF has now written to 13 global insurers to engage on their approaches to decarbonisation and natural resources. There have been responses from four companies so far. One company with which LAPFF will clearly not be engaging is Berkshire Hathaway. Its pro forma email stated that no one is reading messages sent to the investor relations email address, and no one is likely to respond to a letter sent to the company's physical address. LAPFF would have hoped for more from Mr. Buffett, but LAPFF found this response to be in line with that of many US companies, which tend to be less willing to engage in a meaningful way than companies in many other markets, including the UK and Australia. For a full list of companies approached so far through this engagement, please see the company engagement table at the back of this report.

In Progress: LAPFF will continue to send letters and set up meetings with these companies over the course of the year.

New Member

LAPFF would like to welcome its newest member, the ACCESS pool. LAPFF's membership now comprises 87 LGPS funds and seven pooled companies, the vast majority of the LGPS family. The more LGPS funds who become LAPFF members, the greater leverage LAPFF gains in engaging with investee companies in relation to their environmental, social, and governance practices as they impact on financial returns. With a membership that in aggregate holds over £350 billion in assets under management, LAPFF's financial clout is already equivalent to that of one of the top ten largest global pension funds. However, any additional members can only help.

Given the success of LAPFF's annual conference in Bournemouth, LAPFF decided to hold its first mid-year conference at Church House in London. This event also proved to be a success with speakers from Unseen UK, Rathbones, and DiCello Levitt. The sessions covered a summary of the 2023 AGM season, the link between climate and executive pay, modern day slavery, investor litigation in Europe, and the ESG backlash in the US.

COMPANY ENGAGEMENTS

Investors are often not provided with a specific vote on company climate plans for shareholder approval

Say on Climate

Objective: It is almost universally recognised that climate change poses significant systemic and company-level risks. Yet, despite the level of investment risks and the need for capital expenditure to deliver the transition, investors are not provided with a specific vote on their climate plans for shareholder approval.

Issuers are increasingly setting out their climate ambitions within a transition plan. It is also something regulators are looking at. For example, the UK's Transition Plan Taskforce, established by HM Treasury, is developing a 'gold standard' for climate transition plans.

Over the past two years, LAPFF has sent letters to the FTSE All-Share companies requesting a vote on climate transition plans. While LAPFF has been encouraged by the substantive responses, such resolutions during 2023 were far from standard practice, including among high-emitting companies.

Achieved: To continue to encourage companies to provide shareholders with such a vote, LAPFF organised a letter to 35 companies in high-emitting sectors considered to face heightened climate risks, whose actions are essential to the accelerated action required to meet the Paris goals and where the risks investors face are substantial.

The letter, like the previous one, was supported by CCLA Investment Management, Sarasin & Partners and the Ethos Foundation. LAPFF gained the support of a wider group of investors and in total had 18 signatories which collectively represented £1.8 trillion in assets under management. The letter stressed the climate-related risks to investors. It also urged companies to provide such votes to enable shareholders to first express their view on climate strategies through a specific AGM vote rather than immediately voting against the chair or another board member. The letter requested a response so that the signatories could make an informed assessment of the company's position.

In Progress: LAPFF will be tracking the responses to the letter and will continue to engage with companies about holding a climate transition plan vote. This could become an important area of shareholder focus if the recommendations of the Transition Plan Taskforce are introduced. LAPFF supports such votes becoming mandatory and will raise the issue where appropriate with policymakers.

Mining and Human Rights

Objective: While LAPFF is continuing to engage with **Anglo American, BHP, Glencore, Rio Tinto**, and **Vale** on their human rights practices, LAPFF has picked up a new mining company engagement with **Grupo Mexico**. LAPFF has been approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.

The main objective of these engagements is to ensure that the companies understand that any failure to respect human rights and environmental impacts could have financial consequences for them and for their shareholders. One of the main milestones LAPFF is looking for is how well the companies acknowledge and engage with the workers and communities they affect. Effective stakeholder engagement is important to LAPFF both as a human rights imperative and because it can expedite less costly solutions to operational, reputational, legal, and financial concerns at companies.

LAPFF is pleased that both the Anglo American and Vale groups in the PRI Advance initiative have recognised the importance of stakeholder engagement. There are plans for both groups to engage with relevant affected stakeholders.

Achieved: LAPFF met a Grupo Mexico representative for the first time. LAPFF Chair, Cllr Doug McMurdo, spoke with an investor relations contact, who he found to be open to the engagement. It was interesting to hear that the company has been approached by a number of investors in relation to environmental, social, and governance (ESG) issues of late. This increase in attention on ESG issues might not be a coincidence as the company is one of those chosen for inclusion in PRI's Advance human rights initiative.

As with many mining companies, LAPFF's view is that Grupo Mexico has a number of processes in place, some of which appear to be sound on paper.

COMPANY ENGAGEMENTS

However, there appears to be significant work to be done in practice. Once again, the company accounts of its human rights practices and the community accounts differ drastically.

In relation to its PRI engagements, LAPFF has reached out to a couple of non-governmental organisations and community representatives on behalf of the Anglo American PRI Advance group to see if they would be willing to meet the group. There have been positive responses.

In Progress: Cllr McMurdo is now seeking to speak with the Sonora community group affected by Grupo Mexico's operations. As LAPFF has done in other such engagements, it will use the community and company perspectives to form a view of how to encourage improved human rights practices at the company.

LAPFF will now work to set up the community meetings for both the Anglo American and Vale PRI Advance groups.

Water Companies and Sewage Pollution

Objective: Water companies are currently facing considerable reputational risks and regulatory scrutiny around their environmental performance. The focus of concern centres on the use of storm overflow drains. These drains are used to stop water backing up into people's homes when there is heavy rain but result in sewage being released into the waterways. As water companies are effectively regional monopoly suppliers subject to environmental and economic regulation, there are considerable regulatory risks, not least those driven by current reputational perceptions and public concern. The sector has faced further recent public scrutiny when financial concerns about Thames Water came to light.

The main objective of the engagement activity, which started in 2022, is to ensure that these risks are being appropriately addressed and that environmental performance improves. An important focus was ensuring plans were in place and progress is being made in reducing the amount of sewage being released into waterways. In addition, LAPFF sought to ensure companies had credible climate transition plans and progress was being made against them.

Water companies are currently facing considerable reputational risks

Achieved: During the quarter, LAPFF's chair, Cllr Doug McMurdo, met with the Chair of **Severn Trent**, Christine Hodgson. The meeting was held against the backdrop of the problems facing Thames Water and covered the challenges facing the sector as a whole. This meeting was very constructive, and it was welcome news that the company was ahead of its targets on reducing overflows. The discussion covered the company's longer-term plans and targets and capital investment. The company also set out how it was addressing climate change, including through capturing emissions from the sewage treatment process.

LAPFF met with the chair of **United Utilities**, David Higgins. The meeting was positive despite the significant challenges that remain in the sector. The company outlined how it had reduced the number of overflows in the past couple of years. The meeting also covered plans to reduce overflows further and investment to address overflow issues. As with the discussion with Severn Trent, issues facing the sector were raised. The company also set out its plans regarding climate adaptation and mitigation.

LAPFF's chair also met the Head of Environment and Sustainability at **Northumbrian Water.** The company is owned by three holding companies, two of which (CK Hutchinson and CK Asset Holdings Limited) a large number of LAPFF members hold. It was a useful meeting which covered the company's plans and targets to reduce storm overflows and capital investment required to do so. The meeting also covered the company's wider environmental performance and its climate change ambitions.

In Progress: While there is progress, significant risks remain. Adverse publicity and concerns about sewage overflows show few signs of diminishing while there is continued focused from regulators. LAPFF therefore will be continuing to engage with the companies on their progress and plans.

COMPANY ENGAGEMENT ACTIVITY

Electric Vehicles and Human Rights

Objective: Continuing its engagement with electric vehicle manufacturers to better understand how they are addressing the risks associated with minerals for batteries for their vehicles, LAPFF wrote to a number of companies seeking further engagement with those it has already engaged on this issue and to meet others for the first time.

Achieved: LAPFF met with **Volkswagen** (VW) and **Volvo Group** (trucks and HGVs) this quarter, both for the first

COMPANY ENGAGEMENTS

time. LAPFF had a detailed discussion with Volkswagen, which published its third iteration of its raw materials report this year. The discussion covered the company's overall human rights programme and more focussed attention on individual minerals. LAPFF also broached questions about the scrutiny VW faced for one of its joint ventures linked to auto manufacturer supply chains allegedly associated with Uyghur forced labour in Xinjiang. VW has publicly announced that it will be undertaking a social audit of this factory, although it has faced scrutiny from various NGOs and labour groups that social audits in China are ineffective based on political pressures.

Volvo provided a high-level overview of its human rights programme, which in terms of reporting, appears to be lacking compared to some of its peers, particularly on risk management of human rights in critical mineral and material supply chains. Despite this lack of transparency in reporting, Volvo provided a promising conversation on its aspirations to improve various parts of its human rights work.

In Progress: More and more legislative instruments pertaining to corporate sustainability are being enacted around the world, such as the EU Battery Regulation which came into effect in August 2023. These new regulations impose sustainability, recycling, and safety requirements on all battery manufacturers, importers and distributors in the EU. Responsibility and due diligence requirements are also extended to supply chains for materials like cobalt, lithium and nickel. The EU's Corporate Sustainability Due Diligence Directive, whilst still in development, will require companies to conduct due diligence on, and take responsibility for, human rights abuses and environmental harm throughout their global value chains. Therefore, LAPFF will continue to monitor and engage on how companies are set to meet these requirements, including for minerals and materials being used in the production of electric vehicles, where human rights abuses continue to be a major source of concern.

A number of companies not adhering to wage floor requirements including listed companies such as M&S. Above: M &S in Truro City centre in Cornwall

Minimum Wage

Objective: LAPFF believes that good employment practices are linked to long-term corporate prosperity and hence the creation of investment value. It is therefore concerning when investee companies are found to be in breach of statutory national minimum wage standards. In June, the Department of Business and Trade announced that an investigation had found a number of companies not adhering to wage floor requirements including listed companies such as **WH Smith, Marks & Spencer, Argos** (which is owned by **Sainsbury's**) and Whitbread. LAPFF therefore sought to ensure that changes were in place to avoid future incidents.

Achieved: LAPFF wrote to the four companies requesting details around how the incidents occurred, what actions were taken to address the breach, and how they would be prevented in the future. All four companies responded and provided information about the nature of the breaches. Companies provided details of actions taken and gave assurances about seriousness with which they took the issue.

In Progress: LAPFF will continue to monitor breaches in labour law and engage companies where any issues are found to ensure that they are addressed.

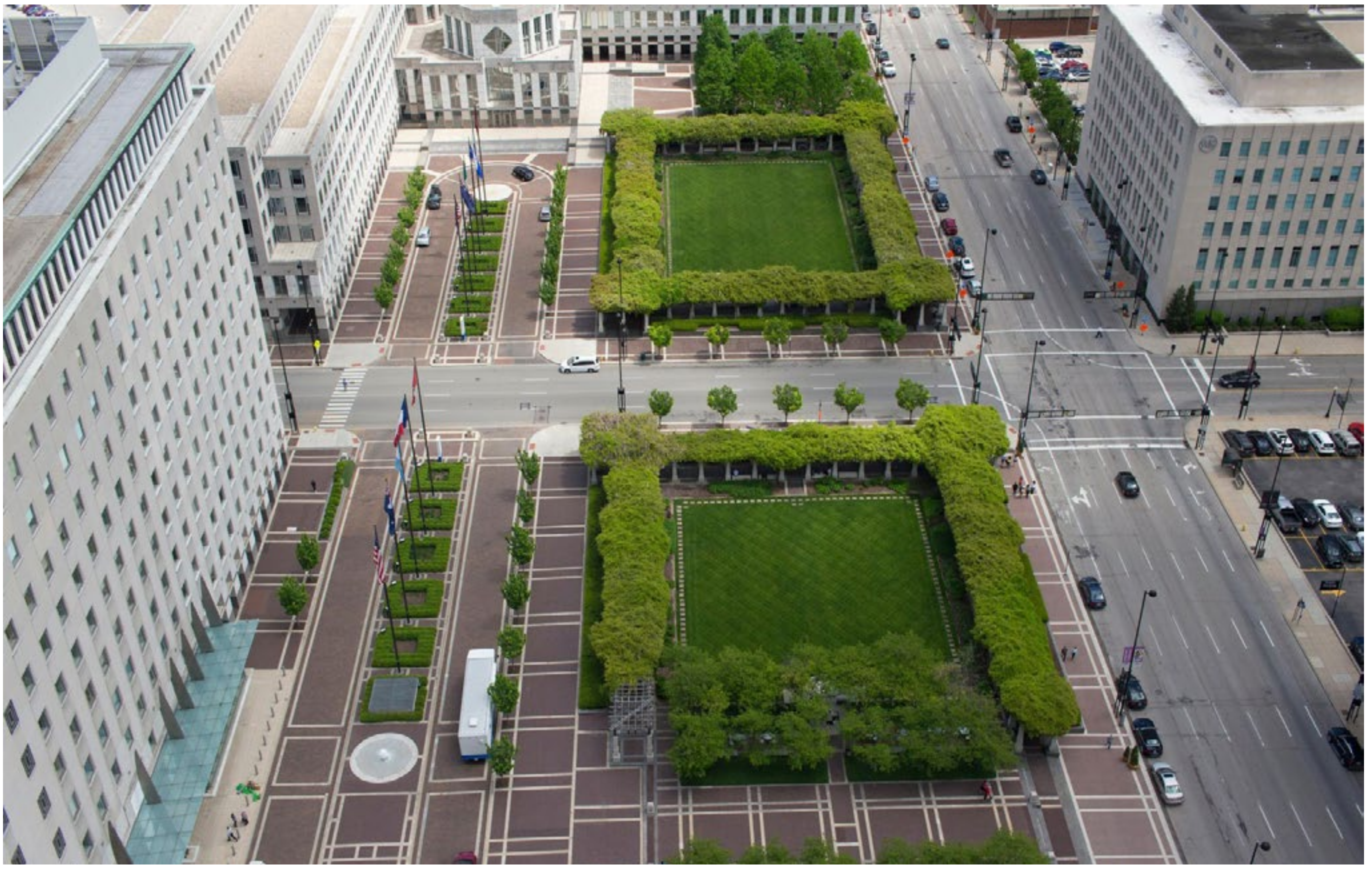
Biodiversity

Objective: Alongside writing to financial institutions regarding their role in supporting positive developments on biodiversity and climate change, LAPFF has also sought to understand approaches to biodiversity at companies in other industries. For example, Procter & Gamble was recently reported to have removed policy commitments not to buy wood pulp from degraded forests. This action comes three years after a majority of investors supported a non-binding shareholder resolution at the company's AGM requesting that Proctor & Gamble assess how it could improve efforts to eliminate deforestation and forest degradation in its supply chains. LAPFF also aimed to find out more about Nestlé's approach to regenerative agriculture.

Achieved: LAPFF has written to **Procter & Gamble** regarding this engagement. LAPFF also wrote to **Nestlé**, who hosted the Forum at its chair's roundtable in March 2023. The request seeks to discuss the company's plans for regenerative agriculture and how it contributes to the company's pathway to halve its greenhouse gas emissions by 2030 and reach net-zero by 2050.

In Progress: Deforestation is becoming an increasingly important topic for LAPFF members and wider investors,

COMPANY ENGAGEMENTS



A city park owned by the Proctor and Gamble company in Cincinnati, Ohio

particularly as the Taskforce on Nature-related Financial Disclosures (TNFD) published its final recommendations in September 2023. TNFD will have implications for a wide range of market participants. LAPFF will be monitoring how relevant companies incorporate the TNFD recommendations and will seek to engage those lagging behind on biodiversity and deforestation.

Shell

Objective: Further to Shell's rowing back from its already unsatisfactory Energy Transition Plan, the company is now a point of special focus, given both its size and importance as an investment, as well as the scale of its emissions. LAPFF continues to aim to have the company understand its role in the energy transition and take action accordingly.

Achieved: LAPFF has met with the chair of Shell with some meeting of minds on some issues. Comments from the new leadership at the Shell Annual General meeting, that Shell does not have enough visibility on some putative sources of future revenue and growth to attach numbers to, does accord with LAPFF's critique in LAPFF's voting alerts since 2020.

In Progress: Given Shell's historically poor investment performance (over 20 years barely better than a bond return), which is indicative of poor investment decision making, alongside no appreciable record or prospect of investment, further effort will be put into understanding the numbers and the business model as well as direct engagement.

Centrica

Objective: Growing energy prices following the end of Covid lockdowns and since the start of the war in Ukraine have become a major business, economic, social and political issue. Rising costs have been a driver of inflation and reduction in the household standard of living. With prescribed economic regulations this backdrop has led to mounting scrutiny of energy companies' practices, especially those related to low-income households. LAPFF sought to understand how energy companies were managing the regulatory and reputational risks around the cost-of-living crisis, including changes needed to support those on low incomes or in arrears.

Achieved: LAPFF wrote to Centrica one of the major UK energy suppliers and owner of British Gas. The company responded by setting out how it is supporting customers through the cost-of-living crisis. The company also outlined ongoing support and advice that it provides low-income customers.

In Progress: With energy prices remaining high, LAPFF will be seeking to meet the major UK energy suppliers on their approaches to supporting households and managing the ongoing risks.

COMPANY ENGAGEMENTS

One of LAPFF's main concerns is to ensure that the National Grid's transition plan allows for a sufficiently speedy transition for the users of its grid

National Grid

Objective: LAPFF has continued its engagement with National Grid through the CA100+ forum. One of LAPFF's main concerns is to ensure that the company's transition plan allows for a sufficiently speedy transition for the users of its grid.

Achieved: LAPFF's view is that the company is missing some opportunities to decarbonise more quickly, so LAPFF issued a voting alert for National Grid ahead of the company AGM in July. LAPFF cited three main concerns in the voting alert: the company's confusing approach to the use of gas, delays in connecting clean energy projects to the grid, and disclosure on the energy transition. Consequently, LAPFF recommended opposition to the company report and accounts and to the resolution on political donations.

In Progress: LAPFF will continue to engage National Grid on its transition plan, including on the specific points mentioned above.

SSE

Objective: LAPFF has a longstanding engagement with SSE and has found the company to be open and responsive to engagement. Because it is progressive on a number of issues, including a fair and just transition, LAPFF seeks to maintain this relationship and push the company to entrench its leadership role in areas such as just transition and living wage.

Achieved: LAPFF Executive member, John Anzani, attended SSE's AGM again this year and asked a two-pronged question about SSE's approach to a just transition. First, he asked whether the SSE is looking to review its just transition principles in the near future. Second, he asked about capital allocation and whether money being spent on carbon capture and storage (CCS) could be better spent elsewhere.

In Progress: LAPFF has requested a follow-up meeting to discuss SSE's responses in greater detail.

Taylor Wimpey

Objective: Housing is a major contributor to greenhouse gas emissions and a focus of environmental regulation. To reduce the climate risks associated with overall emissions and the specific consumer and regulatory risks companies face, LAPFF therefore seeks to engage housebuilders on having credible transition plans. Following concerns from consumers and policymakers around leasehold arrangements and fire safety LAPFF also seeks to ensure the issues were being managed.

Achieved: The LAPFF Chair, Cllr Doug McMurdo, met with the Chair of Taylor Wimpey to discuss the company's approach to climate change. Since LAPFF last met the company, Taylor Wimpey has produced a transition plan, which has emission targets covering scopes 1-3 emissions and with a net zero by 2045 commitment. The meeting was informative and covered the company's progress and plans for reducing operational emissions, its approach to residual emissions, emissions from its homes when sold, and supply chain emissions such as from concrete and diesel. The issue of the just transition was raised as was putting the company's transition plan to a vote. The meeting also covered issues and costs associated with the agreement with the CMA on leaseholds and works related to fire safety.

In Progress: LAPFF will continue to meet with companies in the sector to ensure they have credible plans in place.

Unilever

Objective: Unilever has received quite a lot of press regarding its decision to remain in Russia after Russia's invasion of Ukraine. LAPFF heard from Total last year about that company's difficulties in deciding whether to leave Myanmar and recognises the significant challenges companies face in taking these decisions. Therefore, LAPFF wanted to understand better Unilever's challenges in deciding whether to remain in or exit Russia.

Achieved: LAPFF's Chair, Cllr Doug

COLLABORATIVE ENGAGEMENTS

McMurdo, met with Unilever Chair, Nils Anderson, to discuss Unilever's challenges in Russia. Mr. Anderson was not only open about the obstacles the company faces in Russia but also appeared to be open to working with LAPFF and others to determine appropriate solutions.

In Progress: LAPFF is continuing to participate in investor webinars on human rights and conflict zones. It will also continue to work with Unilever on this issue and will likely seek to partner with other investors who have been investigating the role of companies in conflict zones over the last couple of years.

COLLABORATIVE ENGAGEMENTS

FAIRR

Objective: The FAIRR initiative is a collaborative investor network that raises awareness of material ESG risks and opportunities caused by intensive animal production. The initiative's engagements have a wide-reaching impact on how business models contribute to material risks for investors. LAPFF aims to increase its understanding of the material ESG risks and opportunities and to engage with relevant companies associated with this issue.

Achieved: LAPFF has re-signed onto a FAIRR engagement focusing on working conditions at food producers, mainly in North and South America. LAPFF has also signed onto two new engagement streams, one examining antimicrobial resistance in animal pharmaceutical industry and the other analysing quick-service restaurant antibiotic policies, both with a focus on the concern about increasing global antimicrobial resistance. More than 20 companies have been contacted across these three workstreams.

In Progress: LAPFF will join calls as appropriate in due course which are being coordinated by FAIRR.

Farm land in Uruguay. This is the result of intensive livestock business in South America

Asia Research and Engagement's Energy Transition Platform

Objective: LAPFF joined calls hosted through Asia Research and Engagement's Energy Transition Platform which seeks to engage both financial companies and coal-exposed power companies. During the second quarter of 2023, LAPFF joined calls with **Mizuho Financial Group, China Construction Bank** (CCB), and **Huaneng Power.**

Achieved: Engagement with Mizuho assessed the feasibility of the company discontinuing all financing of oil and gas projects, and how the company was exploring its reduction targets for upstream activities within these industries. During the engagement, LAPFF raised inquiries regarding Mizuho's transition risk rating matrix, specifically inquiring about the scoring criteria applied to its clients. Additionally, investors sought insights into Mizuho's approach to navigating national policy restrictions, allocating budgets for the development of new green technologies, and leveraging its internal expertise in sustainable finance.

The conversation with CCB revolved around inquiries into CCB's environmental, social, and governance (ESG) rating system for clients, its disclosure practices concerning credit exposure linked to high-carbon industries, and the establishment of green sector targets. Similar to the discussion with Mizuho, this dialogue also delved into considerations related to national policy boundaries and restrictions.

The call with Huaneng Power covered questions around the company's previous disclosures on reaching peak emissions by 2024, as well as continuing aspirations for the company's targets for renewable energy production by the end of China's 14th Five-Year Plan, which comes to an end in 2025.

In Progress: Whilst there are many difficulties with aligning investor expectations with company progress in various markets due to challenging and conflicting national policies, ARE's Energy Transition Platform continues to build positive and meaningful

COLLABORATIVE ENGAGEMENTS

engagement with a variety of financial institutions and coal-exposed power companies.

Nature Action 100

Objective: Nature loss is a financially material risk. As the world's GDP is highly reliant on nature and its services, biodiversity loss creates significant risks for investors. As such, LAPFF's workplan seeks to engage companies to promote positive environmental impacts and reduce the operational, reputational and regulatory risks associated with nature loss.

Achieved: Alongside our own engagement work on biodiversity, this quarter saw LAPFF sign onto a major new collaborative initiative Nature Action 100. The global investor-led engagement initiative led by Ceres and IIGCC seeks to reverse biodiversity loss and drive nature action. The initiative sent letters to 100 companies from eight key sectors systemically important in reversing nature loss. The letter supported by over 190 investors sets out the initiative's expectations.

In Progress: LAPFF will seek to be involved in engagements as part of its participation in Nature Action 100.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group. Initially, the group focused on enhancing gender diversity within UK boards, advocating for a minimum representation of 30 percent women on FTSE 350 boards and senior management positions within FTSE 100 companies. Over recent years, its scope has expanded to cover racial equity in UK boardrooms and promote gender diversity in global boardrooms.

Achieved: LAPFF is supporting the Group's Global Workstream, which looks to markets outside of the UK, namely in the USA and Asia, where boardroom diversity is lacking compared to the EU and UK. Through this workstream, LAPFF wrote to KKR & Co Inc. and Shinhan Financial Group asking the companies to set targets for diversity at board level and seeking to discuss individual company approaches to diversity more widely.

In Progress: LAPFF hopes to secure meetings with both companies in the fourth quarter of 2023 and continues to support other meetings held by the 30% Club Investor Group on an ad hoc basis as appropriate.

Valuing Water Finance Initiative

Objective: LAPFF is co-chair of the Valuing Water Finance Initiative (VWFI), a global investor-led effort, facilitated by the NGO Ceres, to engage companies with a significant water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.

Achieved: Along with other members of the VWFI, LAPFF met with Burberry Plc during the quarter to discuss the company's approach to water stewardship. A headline aim of the VWFI is to work with companies so as not to negatively impact water availability or water quality in areas across their value chain. Water scarcity poses a material risk throughout Burberry's cotton and leather supply chains whilst disposal of wastewater at manufacturing sites and dye houses risks polluting local watersheds. The company outlined its process for assessing risk at a commodity, regional and individual facility level. The outcome of the assessment resulted in the facilities with the highest risk being designated a hot spot. The company has subsequently set a target for zero hot spots within its supply chain by 2030. Burberry has made good progress in identifying water risk in recent years.

In Progress: The VWFI will release a detailed assessment and benchmark of all focus companies by the end of October 2023, including Burberry. LAPFF will assess the benchmark to identify potential shortcomings in the company's approach to manging water risk and follow up accordingly. The VWFI benchmark will provide a means through which performance on this issue can be tracked over time.

SIGN-ON LETTERS AND STATEMENTS

CDP - Science-Based Targets Campaign

LAPFF signed onto the CDP's science-based targets campaign for the third straight year. This campaign offers CDP investor signatories and Supply Chain members the opportunity to accelerate the adoption of science-based climate targets, by collaboratively engaging companies on this matter.

WDI – ISSB Letter

LAPFF signed onto a letter to the International Sustainability Standards Board (ISSB) requesting that the body 'prioritise researching' human capital and human rights indicators in its work plan.

Bank Track – Investor Statement on Global Human Rights Benchmark

Bank Track has finalised its investor statement on banks and human rights and is encouraging signatories to use it as a basis of engagement with banks on human rights. LAPFF is a signatory.

POLICY UPDATES

Letter to the UK Prime Minister

LAPFF signed onto a letter organised by the PRI, IIGCC and UKSIF regarding a statement by the Prime Minister on climate change.

Climate Risks

An updated briefing note for members was produced on LAPFF and climate risks. The briefing document includes an overview of LAPFF expectations of companies regarding climate change and how LAPFF supports change through engagement. The document is available to members on the member section of the website.

Water Risks

During the quarter LAPFF met with the Director of Investor Relations at Ofwat. In a highly regulated sector, Ofwat and

COLLABORATIVE ENGAGEMENTS

other regulators play an important role in shaping what individual companies can do and charge. At the meeting LAPFF discussed issues around capital expenditure, affordability, delivery of investment plans, the resilience of the sector, and the impact of climate change.

Reliable Accounts

Objective: LAPFF has continued to focus on policy making in the area of reliable accounts, given problems with accounting standards and standards of auditing. The focus also extends to climate change aspects of accounts, including decarbonisation. There are cross-cutting issues with capital markets (see later) given the impact that two Parliamentary Committees have given to the effect of pension fund accounting on pension fund asset allocations away from UK equities.

Achieved: The concept of Paris aligned accounts is now a mainstream issue. Two Parliamentary Committees, the DWP Select Committee of the Commons and the Industry and Regulators Committee put the accounting standards at the centre of their criticisms of the regulatory and advisory environment.

Freedom of Information Act requests are revealing more troublesome insights into the way Ministers have been briefed by officials at the Department of Business Energy and Industrial Strategy (BEIS), now the Department for Business and Trade (DBT). Requests first made in the summer of 2021 have elicited new information that had been held back but now released in July 2023 given interjection by the Information Commissioner. Further developments are expected and will be reported in full when the sensitivity of a live case has been settled. There are strong parallels with the circumstances of the Freedom of Information Act requests done in 2015 and 2016 which revealed that the Financial Reporting Council was not portraying the position of His Majesty's Government lawyers properly.

In Progress: The focus on the Freedom of Information Act requests continues, and Parliamentarians have been kept updated. See also capital markets working group (later).

Capital market reform and Capital Markets Working Group

Objective: LAPFF has for over a decade been concerned about the dropping of standards required of companies listing on UK capital markets, with specific problems with certain mining and extractive companies. More recently a group of City of London interests bereft of asset owner representation has made efforts to drop standards even further. There are overlapping issues with the poor quality of some companies coming to the UK for listing, as with NMC Health which joined the FTSE 100 and then collapsed, and poor-quality accounting. There are also ongoing issues given the work being done by the DWP Select Committee on pensions.

Achieved: LAPFF made strong response to the Financial Conduct Authority's consultation on relaxing the Listing Regime further. That response was met by equally strong condemnation of the FCA proposals by other large asset owners, including RailPEN. In the light of this, the LAPFF Executive has decided to set up a Capital Markets Working Group.

In Progress: With Parliament coming out of recess for the autumn session, attention will be given to this area, in association with the newly formed Capital Markets Working Group.

Party conference fringe events

Objective: LAPFF hosts fringe events at the political conferences. The meetings are a valuable way for LAPFF to engage with national politicians and stakeholders. The focus of this year's meetings was greenwashing. LAPFF has raised concerns about greenwashing, including in specific company engagements, and the fringe meetings provided the opportunity to raise such concerns with policymakers.

Achieved: Within the quarter, LAPFF held a meeting at the Lib Dem party conference. Alongside the chair of LAPFF, other speakers included Lord Robin Teverson, Lords Spokesperson Energy and Climate Change, Cllr Keith Melton, Chair of the Green Lib Dems, and Sarah George, Deputy Editor of Edie. LAPFF outlined the work it undertakes, how investors can tackle greenwashing by companies, and the role governments and policymakers could play. The discussion covered how regulations can guard against greenwashing, green taxonomies and labels, the importance of transparency and the role of reporting.

Progress: Meetings at the Conservative and Labour party conferences were planned for the following quarter. LAPFF will also continue to engage national policymakers on the issue and around the importance of reporting and corporate governance standards.

CONSULTATION RESPONSES

UN Consultation on Investors, ESG, and Human Rights

LAPFF has responded to the UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The Working Group is tasked with identifying ways to implement the UN Guiding Principles on Business and Human Rights and has been increasingly interested in the role investors can play in this regard. LAPFF set out a range of measures it employs to supporting both ESG and human rights. You can find LAPFF's response posted here on its website.

MEDIA COVERAGE

Climate

Net Zero Investor: UK stewardship stocktake: engagement at a gridlock?

Human Rights

Corporate Secretary/IR Magazine: Trillion-dollar coalition calls for human and worker rights focus at ISSB

Investments & Pensions Europe: Investors urge ISSB to focus on human and labour rights

Edie: Investment giants press for new global disclosure standards on human rights

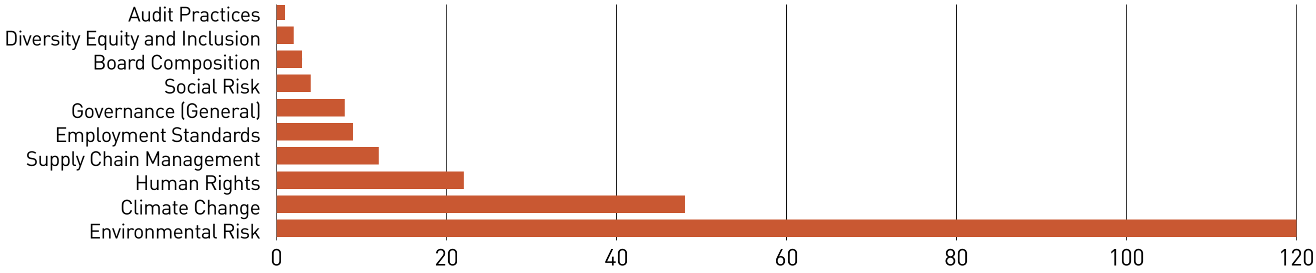
COMPANY PROGRESS REPORT

182 companies were engaged over the quarter. This number includes collaborative engagement letters sent to companies as part of the LAPFF-led Say on Climate initiative and the Nature Action 100 initiative. Excluding these engagement letters, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Sent Correspondence	Environmental Risk	Awaiting Response
ALLIANZ SE	Sent Correspondence	Environmental Risk	Awaiting Response
ALPHABET INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
APPLE INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	No Improvement
AVIVA PLC	Sent Correspondence	Environmental Risk	Awaiting Response
AXA	Sent Correspondence	Environmental Risk	Awaiting Response
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BAYERISCHE MOTOREN WERKE AG	Sent Correspondence	Supply Chain Management	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Environmental Risk	Awaiting Response
BOOKING HOLDINGS INC.	Sent Correspondence	Human Rights	Dialogue
BURBERRY GROUP PLC	Meeting	Environmental Risk	Small Improvement
CENTRICA PLC	Received Correspondence	Social Risk	Dialogue
CHINA CONSTRUCTION BANK CORP	Meeting	Climate Change	Dialogue
CHINA LIFE INSURANCE (CHN)	Sent Correspondence	Environmental Risk	Awaiting Response
DEVON ENERGY CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
FEDEX CORPORATION	Alert Issued	Climate Change	Dialogue
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GRUPO MEXICO SA DE CV	Meeting	Human Rights	Dialogue
HENNES & MAURITZ AB (H&M)	Received Correspondence	Human Rights	Dialogue
J SAINSBURY PLC	Received Correspondence	Employment Standards	Satisfactory Response
KKR & CO INC	Sent Correspondence	Board Composition	Awaiting Response
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Awaiting Response
LLOYDS BANKING GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
MARKS & SPENCER GROUP PLC	Received Correspondence	Employment Standards	Satisfactory Response
MERCEDES-BENZ GROUP AG	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Human Rights	Awaiting Response
METLIFE INC.	Sent Correspondence	Environmental Risk	Awaiting Response
MIZUHO FINANCIAL GROUP INC	Meeting	Climate Change	Small Improvement
MUENCHENER RUECK AG (MUNICH RE)	Meeting	Environmental Risk	Awaiting Response
NATIONAL GRID GAS PLC	AGM	Climate Change	Dialogue
NESTLE SA	Sent Correspondence	Climate Change	Awaiting Response
NORTHUMBRIAN WATER GROUP	Meeting	Environmental Risk	Moderate Improvement
OCCIDENTAL PETROLEUM CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
PERSIMMON PLC	Sent Correspondence	Climate Change	Awaiting Response
PING AN INSURANCE GROUP	Sent Correspondence	Environmental Risk	Awaiting Response
PRUDENTIAL PLC	Sent Correspondence	Environmental Risk	Awaiting Response
RENAULT SA	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO GROUP (AUS)	Sent Correspondence	Human Rights	Dialogue
RYANAIR HOLDINGS PLC	Alert Issued	Remuneration	No Improvement
SALESFORCE INC	Sent Correspondence	Board Composition	Awaiting Response
SEVERN TRENT PLC	Meeting	Environmental Risk	Moderate Improvement
SHINHAN FINANCIAL GROUP LTD	Sent Correspondence	Board Composition	Awaiting Response
SSE PLC	AGM	Climate Change	Dialogue
SUZANO SA	Meeting	Climate Change	Small Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TESLA INC	Sent Correspondence	Human Rights	Awaiting Response
THE PROCTER & GAMBLE COMPANY	Sent Correspondence	Environmental Risk	Awaiting Response
TOTAL ENERGY SERVICES INC	Sent Correspondence	Human Rights	Dialogue
UNILEVER PLC	Meeting	Human Rights	Small Improvement
UNITED UTILITIES GROUP PLC	Meeting	Environmental Risk	Moderate Improvement
VALE SA	Sent Correspondence	Human Rights	Dialogue
VOLKSWAGEN AG	Meeting	Human Rights	Small Improvement
VOLVO AB	Meeting	Human Rights	Small Improvement
WH SMITH PLC	Received Correspondence	Audit Practices	Satisfactory Response
WHITBREAD PLC	Received Correspondence	Employment Standards	Satisfactory Response
ZURICH INSURANCE GROUP AG	Sent Correspondence	Environmental Risk	Awaiting Response

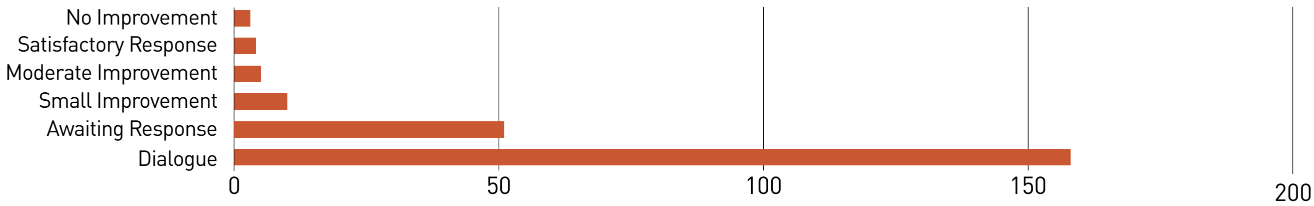
ENGAGEMENT DATA

ENGAGEMENT TOPICS



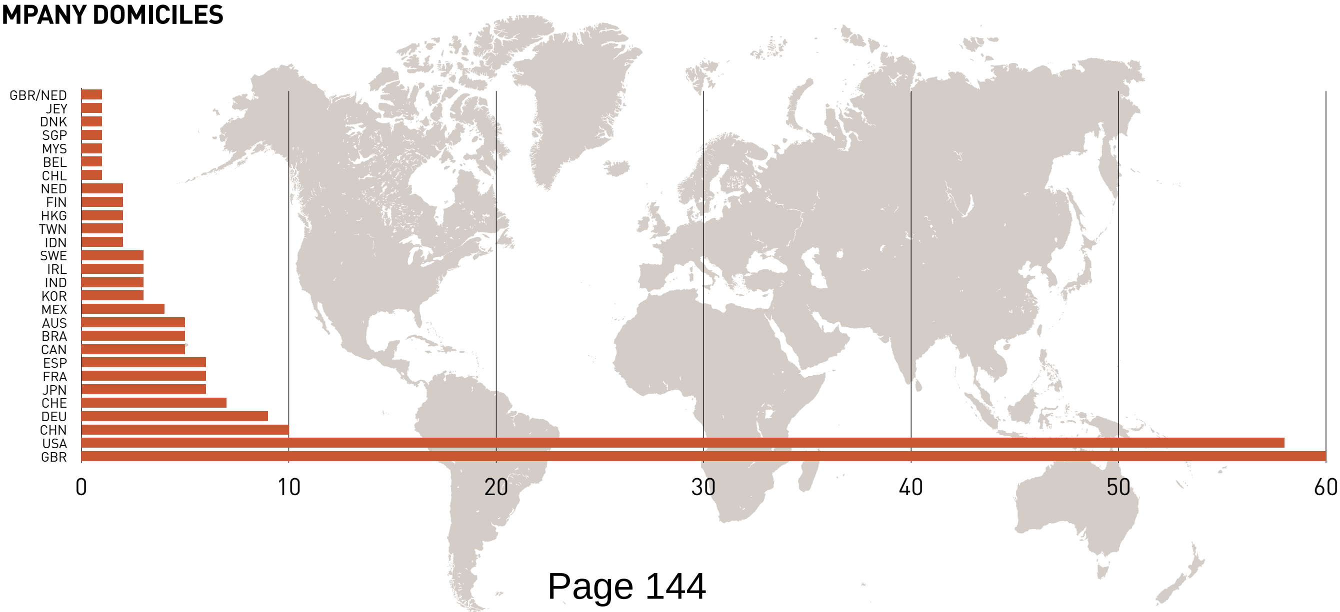
ACTIVITY

MEETING ENGAGEMENT OUTCOMES

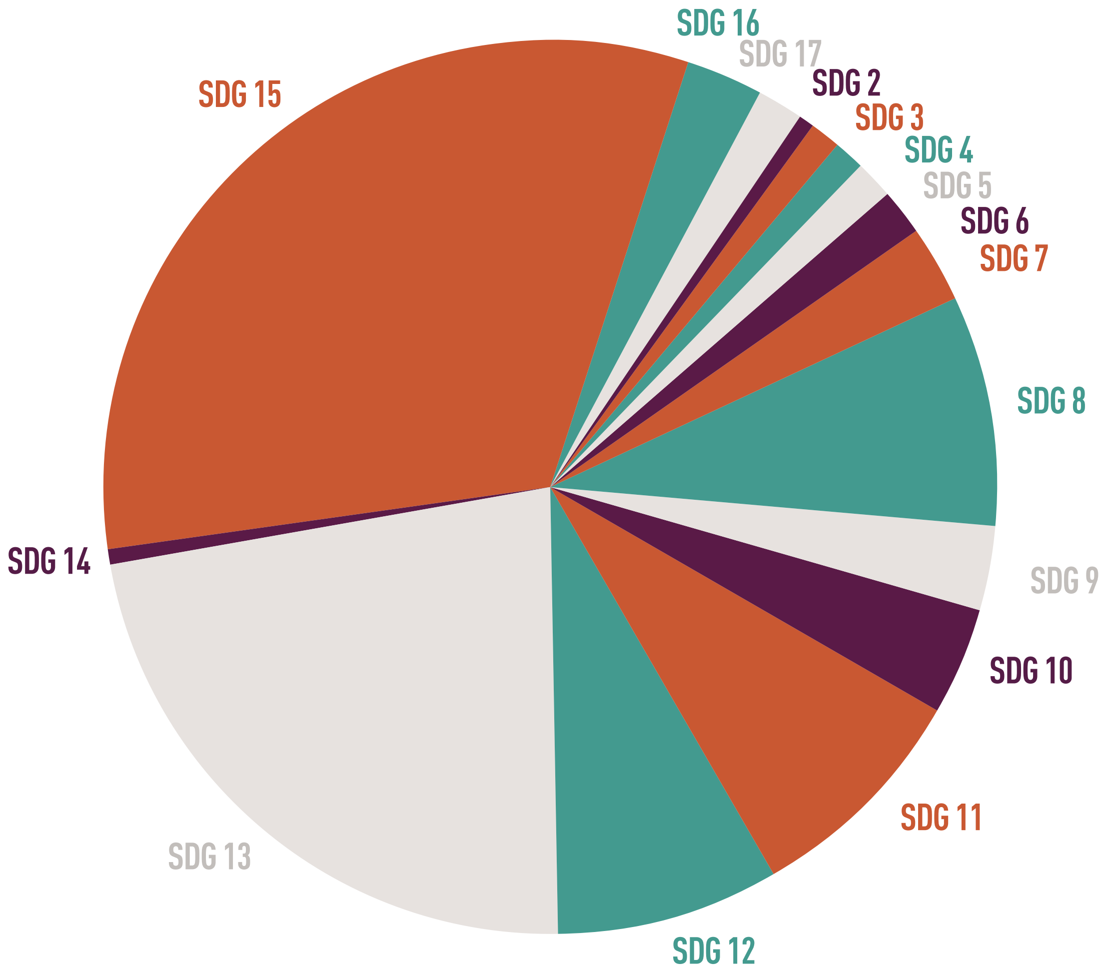


POSITION ENGAGED

COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

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SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	4
SDG 6: Clean Water and Sanitation	6
SDG 7: Affordable and Clean Energy	9
SDG 8: Decent Work and Economic Growth	27
SDG 9: Industry, Innovation, and Infrastructure	10
SDG 10: Reduced Inequalities	13
SDG 11: Sustainable Cities and Communities	27
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SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	5

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

ACCESS Pool
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

Quarterly Engagement Report

October-December 2023

Local Authority Pension Fund Forum

Say on Climate, National Grid, BP, UN Forum on Business and Human Rights, Rio Tinto

UPDATES

LAPFF Conference

LAPFF held its 2023 annual conference in Bournemouth, covering a range of topics with a particular focus on climate-related issues. On the first afternoon, delegates heard from Richard Eadie and Simon Davy on how water companies can better deliver environmental value. This was followed by a discussion panel on how LGPS funds are managing climate-related financial risks. The first day closed with a review of the 2023 shareholder resolutions and a glimpse of the ones to come in 2024.

The second day kicked off with a discussion panel on the significance of proxy voting choices for investors in passive funds and the breakthrough introduction of passthrough voting. This allows asset owners to adopt their own voting policies in pooled funds. Delegates then heard from asset managers on how they respond to the recent headline phenomenon of an ESG backlash. This was followed by a deep dive from Sir Philip Augar on whether investors should be concerned about the listing rules review.

The afternoon had a strong climate-related focus, opening with a discussion on how clean and equitable EV supply chains can be ensured, an emerging area of importance in the endeavor to decarbonise. This was accompanied by a session on how nature-related risks and the biodiversity crisis are managed and tackled. Another session outlined the role of alternatives in the race to achieving net zero by 2050. Also in the afternoon, delegates engaged in a poignant discussion on investors' role in ending modern-day slavery, highlighting the pressing need and methods to take action and make change.

The final morning of the conference opened with a session with economic commentator, Will Hutton, on the great pay divide between executives and employees, followed by a discussion on the Living Wage with a representative from the Living Wage Foundation. This was followed by a presentation from LGA adviser, Barry Quirk, on levelling up. The conference closed with an inspirational story by Dave Fishwick about his journey to creating the Bank of Dave to help local businesses and communities in the wake of the 2008 financial crisis.

COMPANY ENGAGEMENTS

CLIMATE ENGAGEMENTS

LAPFF engages on climate change through both policy and company engagement channels. This dual approach is necessary to ensure that companies have an enabling environment to promote their climate change mitigation and adaptation work.

Say on Climate

Objective: Despite the significant investment risks of climate change, investors are not provided with a specific vote by investee companies on how they are seeking to decarbonise their business models. Against the backdrop of growing climate risks, rising expectations from investors for companies to outline their climate strategy, continued ratcheting up of climate regulations and emerging recommendations from the Transition Plan Taskforce, LAPFF has been engaging companies for the past few years on putting their transition plans to a shareholder vote. Last quarter, LAPFF coordinated an investor letter to 35 FTSE companies in high emitting sectors requesting such a vote. The letter was signed by 18 other investors with around £1.8tn AUM.

Achieved: LAPFF has received substantive responses to the letter, with some companies outlining their approach to climate and stating that they are considering such a vote for their AGM next year. Some companies outlined previous votes and their intention to continue to hold similar votes in the future. However, others stated either that they did not plan to hold such a vote and engaged shareholders through other means or that while having a vote in the past, they did not have immediate plans to do so again.

In progress: Despite additional companies having transition plan votes, they are not standard practice and often absent at AGMs where climate risks are most acute. LAPFF will continue to work with other investors engaging companies on having transition plan votes to enable investors to have a specific say on the climate strategies of investee companies.

LAPFF's main company engagements on climate this quarter were with National Grid and BP.

National Grid

Objective: LAPFF, along with two other investors of CA100+ Working Group, Church of England and Northern Trust, has been seeking to improve National Grid's disclosure and accountability on direct and indirect lobbying. The CA100+ benchmark on National Grid places it below its peer companies under indicator 7 on lobbying. In June 2023, National Grid pledged to publish its trade association memberships and updated climate policy ahead of the next AGM. LAPFF therefore is seeking to ensure the company's disclosure is timely and of a high standard.

LAPFF has also been seeking to ensure the company is more transparent about its plans to support the energy transition and reducing grid connection. The objective was to encourage disclosure and to offer the opportunity to provide feedback on the company's approach in both respects. LAPFF also sought a separate climate meeting with the company and to write a lobbying letter to National Grid seeking disclosure of industry associations and an updated climate policy.

Achieved: In November, LAPFF together with the Church of England wrote to the company, stating expectations for its upcoming lobbying report.

At the end of November, LAPFF met the Chief Sustainability Officer of National Grid. In this meeting LAPFF asked for an update on the backlog of grid connections and an update on the transition plan. The recent change in regulations has enabled the backlog to start to be cleared. This has been a main concern as the average time between requesting a connection and being offered one has increased from 18 months in 2019-20 to 5 years in 2023, as reported by the company. The easing of regulations will allow the company to terminate projects not progressing and push projects which are ready to the front of the queue.

Given that the expected power to be generated from these held-up contracts is as much as 400 Gigawatts with connection dates of 2030 or later, this change will help towards decarbonising the power systems by 2030. However, there is still a challenge in speeding up building necessary infrastructure to physically enable the grid connections. LAPFF will monitor the effect of lifting these regulations and how quickly the company clears the backlog and is also looking for clarity in its infrastructure development plans.

The meeting also discussed the new transition plan to be published next year. LAPFF welcomed the fact that this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to ensure the report is not only about reducing emissions but how the company can facilitate new infrastructure to be built, and its wider role in the energy transition. The company also recognised a challenge in reaching long-term targets of net zero by 2040 in absence of a pathway for gas distribution in the US.

In Progress: The release of the lobbying disclosure report next year in good time before the AGM is expected and will enable the Forum to assess the progress made in the company on this area. So far National Grid appears to be responding well.

LAPFF also expects the new transition report to be released and to address the points have raised here. A key outstanding issue is gas distribution in the US, where the company asserts the ongoing importance of gas networks to the business due to its existing infrastructure and cost efficiency and envisage both hybrid solutions and clean gas. To address this LAPFF will seek to understand the US energy market in more detail. On engagement specifics, LAPFF is organising a wider CA100+ meeting in January and will arrange some direct follow up meetings through 2024.

BP

Objective: With the surprise departure of Chief Executive Bernard Looney, LAPFF requested a meeting with the Chair, Helge Lund, to help ascertain whether that departure affected BPs climate commitments.

Achieved: LAPFF attended a meeting with Lund in November, where we were told that the departure of the CEO had

COMPANY ENGAGEMENTS

not changed BPs climate commitments.

In Progress: Since that meeting COP28 has strengthened the emphasis for solutions to the transition away from fossil fuels, which emerged as a last-minute compromise instead of the original goal to "phase out fossil fuels." Prior commitments were in the form of far more malleable goals of "net zero by 2050" and complicating matters with Scope 1, Scope 2 and Scope 3 emissions. LAPFF's policy for several years has been that fossil fuel components of businesses need to be put into managed decline.

With a closer match between COP and LAPFF policy, the emphasis on phase out will be the focus of BP and other oil and gas companies. Scope 3 emissions, originating from the products sold by fossil fuel companies, have been obfuscated by a focus on the comparatively minor Scope 1 and Scope 2 emissions, missing the obvious point that less Scope 3 extraction naturally leads to less Scope 1 and Scope 2.

Housebuilding also has a large impact on climate change. As part of an ongoing engagement with the sector, LAPFF met with **Persimmon** this quarter.

Persimmon

Objective: Minimising the investment risks associated with climate change involves decarbonising housing stock. Housebuilders therefore play an important role in reducing emissions as well as facing regulatory risks if they fail to prepare for higher energy efficiency and emissions standards. As part of LAPFF's engagements with UK housebuilders, LAPFF seeks to ensure that adequate transition plans are in place. With the vast majority of emissions not coming from their own activities, the engagements focus on plans for decarbonising supply chains and decarbonising homes in use.

Achieved: LAPFF met with representatives from the FTSE100 housebuilder Persimmon. In the meeting LAPFF had an open discussion about target setting which covered issues around embodied carbon. The meeting covered transition planning and plans. The discussion touched on so-called hard to abate sectors within the supply chain, such as cement and offsetting,

Persimmon housing estate Suffolk, UK

trial schemes for net zero homes, and engagement with smaller suppliers on the transition.

In progress: LAPFF will be following the development of housebuilders' transition plans and delivering on the targets that they have set.

CLIMATE & INSURANCE

LAPFF has also re-started its 2020 engagement with insurance companies on their climate strategies and practices. After meeting with Munich Re last quarter to discuss the company's progress on assessing its impact on climate change and integrating climate considerations into corporate strategy and operations, LAPFF met with **AIA, AXA, Legal & General, Lloyds Banking Group**, and **Ping An** to discuss the same issues. Given the interest of LAPFF members in natural resources – and specifically biodiversity – LAPFF also asked these insurers how they are addressing natural resources within their climate strategies.

While there has been some progress in insurers' understanding of the need to assess their impacts on climate change in order to understand their climate-related business risks (otherwise known as double materiality), in LAPFF's view there has not been enough progress on this front. In particular, insurers are focusing almost exclusively on their investment businesses in relation to climate mitigation. This approach makes sense at face value, but LAPFF would like to see greater consideration given to the role the insurance products can play in mitigating climate change through setting societal expectations of risk.

All companies engaged are at the beginning of understanding the relationship between climate and natural resources and how to bring natural resources into business decision-making. Therefore, LAPFF will aim to engage with the remaining large insurance holdings before moving on its largest bank holdings under this engagement.

Because there is an increasing recognition of the impact that climate change has on natural resources, LAPFF has engaged a range of companies on their impacts on nature.

TJX Companies – Deforestation

Objective: As a retailer specialising in brand-name clothing, home goods, and outdoor products, TJX Companies is exposed to various commodities that potentially link to deforestation in its supply chain. However, it currently lacks a public deforestation policy and does not address this issue in its vendor code of conduct.

Achieved: LAPFF initiated a dialogue with TJX Companies and met with representatives for the first time to discuss the development of such a policy. The conversation began with an overview of the company's sustainability priorities,

COMPANY ENGAGEMENTS

focusing on climate and energy, before shifting to the topic of deforestation.

In Progress: This marks the commencement of ongoing discussions with TJX, a company substantially held by LAPFF. The Forum aims to continue engaging with TJX to advocate for the benefits of imposing deforestation requirements on its vendors.

Nestlé – Regenerative Agriculture and Climate Change

Objective: In the context of the agri-food sector's shift towards more sustainable practices, LAPFF sought a meeting with Nestlé to assess and understand the integration of regenerative agriculture into its strategy. This includes understanding the company's specific goals, initiatives, and progress in implementing regenerative practices, as well as its contributions to climate change mitigation and biodiversity conservation.

Achieved: During LAPFF's meeting with Nestlé, the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions looked at how this would be incorporated into their broader climate strategy and covered biodiversity more widely. While the long-term efficacy of these actions is yet to be measured, the conversations indicated a strong commitment from Nestlé, although further evaluation will be required in the future to gauge the impacts of strategies.

In Progress: LAPFF will continue to engage with Nestlé, focusing on monitoring the implementation of their regenerative agriculture practices. LAPFF will also look more widely across the agri-food sector as others are incorporating this into their business strategies as new methods and technologies become available.

Chipotle – Water Stewardship

Objective: LAPFF has been engaged with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant proportion of the company's suppliers operate in areas of water stress. LAPFF now considers it imperative that the company utilise the results of this risk assessment to set measurable and time-bound targets in order to reduce negative impacts on freshwater.

Chipotle Mexican Grill at Pineapple Commons, Stuart, Florida

Achieved: In October 2023, CERES published a corporate benchmark assessing the water stewardship practices of 72 companies against the six Corporate Expectations for Valuing Water, including Chipotle. Chipotle underperformed relative to the quick service restaurant (QSR) peer group. LAPFF Executive member John Anzani met with the company in December to discuss progress in adopting a more ambitious approach to its water stewardship practices.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water Finance Initiative (VWFI) and will continue to engage with Chipotle on this basis during 2024. It is LAPFF's expectation that Chipotle leverages the work it has undertaken in mapping exposure to water stress in order to set ambitious targets, particularly given that during Q4 2023 the science-based targets network has released guidance for companies to set the relevant freshwater targets.

HUMAN RIGHTS ENGAGEMENTS

Similar to the climate space, human rights policy and practice must align for companies to be able to implement their human rights responsibilities. Legislation requiring mandatory human rights and environmental due diligence, including the imminent Corporate Sustainability Due Diligence Directive (also know as the 'CS triple D'), makes the need for this alignment pressing. LAPFF has taken a number of measures this quarter to work toward this alignment.

LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. LAPFF regularly undertakes various avenues of engagement on human rights, andwill continue to seek in its engagements with both companies and investors to clarify this link. The goal is that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

UN Forum and Working Group on Business and Human Rights

On the policy front, LAPFF was again

COMPANY ENGAGEMENTS

invited to present its work at the UN Forum on Business and Human Rights in Geneva on 27 November. LAPFF's video about its visit to Brazil to see communities affected by tailings dams was selected for screening out of, reportedly, a huge number of potential options. The video was well-received, with attendees stating that they would share it with colleagues, clients, and law students to drive home the on-the-ground impact that mining companies can have on people in host communities.

LAPFF also submitted a response to a UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The goal of this consultation is exactly to push alignment between law and practice on human rights. One of the main points LAPFF made is that corporate and commercial legal frameworks must align with international human rights law principles, for example of joint ventures, to facilitate good corporate practice.

COMPANY ENGAGEMENTS MEETINGS

In terms of company engagements, **Glencore** and **Grupo Mexico** were companies of focus this quarter. LAPFF generally has at least an annual meeting with the Glencore Chair. This meeting was its second with Chair Kalidas Madhavpeddi. Although LAPFF had requested a meeting with CEO Gary Nagle to discuss both climate and human rights performance at Glencore, Mr. Madhavpeddi was accommodating and helpful. LAPFF asked about the company's engagement with affected communities, but Mr. Madhavpeddi did not share much on this front.

LAPFF subsequently held a seminar for investors with communities from Colombia and Peru who are affected by Glencore's Cerrejon and Antapaccay projects, respectively. It has also been in touch with IndustriALL representatives who worked with investors last year to bring a climate-related resolution to Glencore's AGM. LAPFF's view from speaking to these stakeholders is that in the coming year, Glencore is likely to be the target of a concerted union and community campaign because of its human rights and environmental practices. Therefore, LAPFF has reached out to the company for a follow up meeting to discuss these stakeholder concerns and to push the company to build and disclose stronger stakeholder engagement mechanisms and climate practices.

TECHNOLOGY COMPANIES AND HUMAN RIGHTS

Objective: Governance of new technology is well recognised as an investment risk. However, such risks have come to the fore again with significant advances in AI technologies. Alongside the significant potential benefits of AI, it has the potential to adversely impact people's employment and creates human rights risks, not least around discrimination. These risks are often greatest at companies developing and selling AI services and products. As with other human rights risks, LAPFF expects technology companies to have due diligence policies in place to prevent negative impacts.

Achieved: LAPFF executive member Heather Johnson met with the German tech company SAP. The company faces specific risks related to AI, including products which support HR functions. The meeting covered how the company was managing the risks of adverse human rights impacts, including discrimination. The discussion covered identification of risks and the company set out the framework and processes it has in place for preventing negative impacts. The meeting also covered how the company had responded to the German Supply Chain Due Diligence Act.

In progress: AI is an emerging technology with risks likely to become greater and more complicated. LAPFF will continue to engage technology companies in how these risks are being managed to ensure appropriate frameworks and safeguards are in place.

RESPONSIBLE MINERALS – ELECTRIC VEHICLE MANUFACTURERS (FORD, RENAULT AND MERCEDES)

Objective: As highlighted, there is an increasing trend in international regulations to impose the responsibility for human rights due diligence on companies. These regulations highlight the electric vehicle industry's obligation to ensure ethical and sustainable practices, particularly in supply chains. This development is part of a broader global movement towards enhanced corporate accountability and transparency. Over recent years, LAPFF has consistently engaged with various electric vehicle manufacturers on this matter, advocating for improved due diligence and transparency as these regulations have evolved.

Achieved: LAPFF has maintained ongoing dialogues with Ford, Renault, and Mercedes, meeting with Ford and Renault for the second time, and with Mercedes for the third time on this

Sonora, Mexico: 40,000 cubic meters of copper sulfate were spilled into a damm, property of Grupo Mexico

COMPANY ENGAGEMENTS

issue. All three companies have shown notable progress in their human rights management processes and efforts to comply with regulations, especially in the depth of their public reporting. Despite some areas still requiring improvement, it would appear they are more actively engaging with suppliers and pursuing ethical sourcing to meet international human rights standards.

In Progress: LAPFF will continue to monitor and seek engagement with those companies exposed to the various human rights risks associated with electric vehicles, which become ever more evident as production is scaled up.

workers stock the shelves at a Home Depot store

COLLABORATIVE ENGAGEMENTS

PRI ADVANCE

LAPFF continued its engagement with **Vale** and **Anglo American** through the PRI Advance human rights initiative, including through bringing investors in other PRI Advance groups into stakeholder engagement meetings on Glencore, BHP, and **Rio Tinto**. These initiatives are moving quite slowly, in part in LAPFF's view, because investors are generally less aware of and less attuned to human rights considerations than they are corporate governance and environmental issues. Therefore, they are still considering how best to engage companies on human rights, which tend to deal with 'soft' issues such as illegal discrimination and freedom of association rather than 'hard' issues like clear financial costs.

LONDON MINING NETWORK AND COMMUNITIES AFFECTED BY MINING

LAPFF continues to find great value in engaging with community groups affected by mining company operations. The meeting with communities affected by Glencore operations in Colombia and Peru was the first in-person meeting of this kind that LAPFF had held since the Covid pandemic. Most community meetings are online because affected community members tend to be in developing countries, and everyone has limited travel budgets (not least for climate reasons). However, LAPFF coordinated with London Mining Network to hold an in-person seminar which six investors attended. The Colombian and Peruvian community members shared the severe environmental impacts Cerrejon was having on its rivers and soil, which is leading to significant health concerns in both countries. A LAPFF representative also met with communities with continued concern about BHP's practices in Brazil.

LAPFF held online meetings with communities from Brazil and Mexico. LAPFF continues to engage with the community members with whom it visited in Brazil, particularly in relation to the reparations at Samarco-affected communities. Although over 100 houses have reportedly been built in one of the resettlements – Bento Rodrigues - these community members continue to be concerned that the quality of the houses is poor, and they report that they don't know who to contact at Vale or BHP to complain. Part of the problem is that the Renova Foundation CEO with whom LAPFF met in Brazil has been sacked but not replaced successfully. His immediate successor lasted two months, according to the community members. LAPFF is waiting to hear whether a permanent, successful CEO has now been appointed or whether the search continues.

In relation to Mexico, LAPFF was assured earlier in the year that **Grupo Mexico** had met its reparations obligations in relation to its 2014 tailings pond leak in Sonora, Mexico. However, LAPFF was alerted by a community representative and a news article about a Mexican government lawsuit to reinstate the reparation fund due to inadequate reparations payments. LAPFF has tried three times this quarter to obtain a meeting with the company but has been met with silence. Meanwhile, LAPFF met with the community representative at the UN Forum on Business and Human Rights at the end of November to receive a further update on the case. It appears that LAPFF will now need to investigate options to escalate its engagement with Grupo Mexico, but it will need to do so in consideration of safety concerns for the affected communities.

In Progress: LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. Therefore, LAPFF will continue to seek in its engagements with both companies and investors to clarify this link so that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

INVESTOR ALLIANCE FOR HUMAN RIGHTS

LAPFF continued to work closely with the

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Investor Alliance for Human Rights, both in relation to the Uyghur Group and in relation to conflict-affected and high-risk areas (CAHRA).

Investor Alliance for Human Rights – The Home Depot Inc

Objective: As a part of the Investor Alliance for Human Rights' Uyghur Working Group, LAPFF led on an engagement with The Home Depot, which was implicated in allegations of Uyghur forced labour in its luxury vinyl tile (LVT) flooring supply chains, with PVC derived from Xinjiang. LAPFF sought to understand how Home Depot responded to these allegations, and how the company has undertaken work to eliminate forced labour risks and comply with human rights standards.

Achieved: LAPFF, alongside other investors, met with Home Depot for a second time following reports in August that shipments of LVT from Asia were being blocked by US Customs, including those destined for Home Depot. During the call, LAPFF sought answers on what the company was doing to ensure that its company supply chain was free of forced labour, potential implications of bifurcation of supply chains, and what new methods Home Depot was implementing to have sufficient audit procedures in place.

In Progress: LAPFF will continue to monitor the company's approach to global human rights due diligence and seek further engagement in due course for updates on the issue, with a focus on the company's implementation of enhanced audit procedures.

CAHRA PILOT PROJECT

LAPFF was invited to join IAHR's CAHRA pilot project. The project has been initiated in part because of the escalation of conflicts globally, including in Ukraine, Nagorno Karabakh, and Israel and Gaza, which reignited this quarter. LAPFF had already been attending a number of IAHR webinars on this topic to understand better how to engage companies on CAHRA issues, so the opportunity to participate in this pilot is welcome, especially given LAPFF's engagements with companies operating in Russia, Myanmar, and the Occupied Palestinian Territories.

VOTING ALERTS

LAPFF also issued a voting alert for BHP expressing concern that the company's rhetoric and practices on climate are not aligned and expressing concerns about the corporate culture in respect of human rights. BHP is currently the subject of potentially costly litigation in Brazil, the UK, and Australia in relation to its failings related to the Samarco tailings dam collapse alone. LAPFF continues to have serious concerns that the company is not taking appropriate accountability and responsibility for its human rights and environmental practices, and that this omission could lead to large financial losses for both the company and investors.

JUST TRANSITION ENGAGEMENTS

LAPFF's aim is to move away from siloed ESG engagements in recognition of the overlap between these three areas in pursuing a just transition. There are currently two dedicated work streams covering a just transition specifically, although the climate and human rights work by definition addresses just transition to a degree.

RIO TINTO SHAREHOLDER RESOLUTION

Within the quarter LAPFF explored the option of filing a just transition shareholder resolution at Rio Tinto's 2024 AGM requesting the company undertake independent water impact assessments at its mine sites. The proposed resolution sought to ensure that the company adequately assesses its impacts on water resources so that it can properly identify operational, reputational, legal, and consequently financial risks to the business and investors.

In the end, LAPFF did not file the resolution. LAPFF is currently in dialogue with Rio Tinto, and Rio Tinto has issued a water impact assessment in relation to its QMM operation in Madagascar. Although the company is not fully meeting the resolution's request, LAPFF is encouraged that the company is willing to discuss how to move forward on the request and continues to be hopeful that the company will meet it. LAPFF is pursuing further dialogue with the company on this issue and will take a view after the 2024 AGM whether the resolution filing process needs to be resumed.

EQUINOR

As part of its involvement with World Benchmarking Alliance just transition initiative, LAPFF participated in a collaborative call with Norwegian energy company, Equinor. Equinor has a policy commitment to a just transition and the engagement provided a useful opportunity to discuss how the policy was being implemented. The meeting covered the company's approach to assessing and mitigating negative social impacts of the energy transition, governance of just transition issues, just transition planning and metrics and targets.

In Progress: As part of LAPFF's involvement in the WBA initiative, it will continue oil and gas companies on just transition plans. LAPFF will continue to engage mining companies on undertaking independent water impact assessments.

BOARD DIVERSITY ENGAGEMENTS

Objective: It is well-documented at this point, both in academic literature and in the corporate governance world, that board diversity improves corporate performance. Diversity covers a range of areas, including gender, cultural, and economic (for example workers on boards). Consequently, LAPFF engages companies on board diversity and composition as a matter of course to work toward improved financial returns across member portfolios.

Achieved: LAPFF is a long-standing member of the 30% Club Investor Group, which began with a focus on gender diversity and has now expanded its work to include racial diversity on boards. Over time, this group has also expanded from focusing on UK companies to engaging

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companies in other countries. The latest round of engagements has been with a range of Asian companies, including KKR & Co and Shinhan Financial Group.

LAPFF also questioned Glencore on its board composition this quarter. The company has a small board compared to its peers in the mining sector, and LAPFF wondered if its small size allowed for enough diversity of views. Although three of the eight board members are female, LAPFF is also looking, for example, for board members with backgrounds in climate change and human rights who are sufficiently independent to challenge the board on its climate, human rights, and internal controls systems, especially given the corruption challenges the company is continuing to face.

In Progress: Board diversity is a continuing workstream for LAPFF, as it pushes companies to move from merely appointing certain numbers of diverse board members to truly considering and integrating their views into company strategy and practice. This objective relies on cultural change which takes a long time to achieve so is something at which LAPFF chips away each quarter on different fronts. LAPFF has also secured a meeting with KKR & Co for Q1 or 2024 to discuss diversity targets.

GOVERNANCE ENGAGEMENT

Barclays

Objective: In October, former Barclays executive Jes Staley was banned by the FCA from holding senior positions in financial services and charged with a £1.8m fine for allegedly misleading the watchdog about his past relationship with convicted sex offender Jeffrey Epstein. In turn, LAPFF felt it imperative to engage with Barclays to discuss learnings from this tumultuous episode and sought to see actions the bank had taken to strengthen corporate governance at both board and management level.
Achieved: LAPFF met with the Chair of Barclays, Nigel Higgins, at the end of October. The Chair openly discussed the event and actions the bank had taken, including freezing deferred bonuses to Stanley at the time of investigation. The company stated it has strengthened their board recruitment practices and remained vigilant. However, LAPFF will be monitoring the governance going forward. More widely, LAPFF requested an update of Barclays's climate policy and have arranged to have a specific meeting on this topic separately.

In Progress: Following the recent board changes earlier this year at Barclays, including the appointment of new executives, LAPFF will continue to watch the corporate governance nominations and succession plans of the company board. LAPFF maintains a cordial dialogue with the chair and aims to continue engaging on this topic.

PUBLIC HEALTH ENGAGEMENT

FAIRR Initiative's Restaurant Antibiotics Engagement – Restaurant Brands International (RBI)

Objective: FAIRR's Restaurant Antibiotics engagement focuses on reducing the use of antibiotics in protein supply chains. This initiative involves companies within the fast-food and casual dining sector, with the aim of mitigating the risks associated with antibiotic resistance due to the overuse of antibiotics in livestock. The objective is to safeguard public health.

Achieved: LAPFF joined a call with FAIRR and other investors with Restaurant Brands International (RBI). As a first call with the company, investors shared key asks of the engagement and pushed for enhanced transparency on the company's efforts to reduce antibiotics in its supply chain.

In Progress: LAPFF signed onto a series of letters sent by FAIRR and will seek to join meetings as appropriate when they become available. LAPFF is also hoping to continue supporting engagement with RBI as the dialogue develops.

Taskforce on Social Factors

LAPFF's chair is a member of the Taskforce on Social Factors, which was established by the DWP with cross-departmental and multi-regulator involvement. The taskforce was established to outline how trustees could and should address social risks and opportunities. Specifically, the group has looked at the materiality of such issues, data on social factors, and the actions pensions funds can take. During the quarter, the group's initial findings were published for consultation. Within the report a series of recommendations were set out to pension trustees, the investment industry, regulators, government, civil society and businesses.

MEDIA COVERAGE

ESG Investor: ESG Overload – ESG Investor
Room 151: LAPFF alongside other investors call for climate vote at high-emitting companies - Room 151
IPE: Investors coalition creates platform to strengthen human rights stewardship | News | IPE
The Point: Global perspective: is ESG paying lip service to human rights? | The Point ESG News
Environmental Finance: CCLA, LAPFF call for climate votes at 'high-emitting' sectors
Pensions & Investments: U.K. investors turn up the heat on boards for climate transition plans
Sustainable Times: Investors Managing £1.8 Trillion Rally for Climate Strategy Votes at Upcoming FTSE 350 AGMs
IPE: Investor group calls for climate vote at high-emitting companies
Net zero investor: £1.8trn investors call for climate vote at high-emitting companies
Funds- Europe.com: Investors seek climate votes at high-risk firms
Pensions Age Magazine: Investor group calls for climate vote at high carbon emitting FTSE 350 firms
TheMJ.co.uk: Council pension funds call for climate vote
LocalGov.co.uk: Council pension funds call for climate vote
Investment Week: Investors overseeing £1.8tn in assets call for AGM votes on climate transition plans

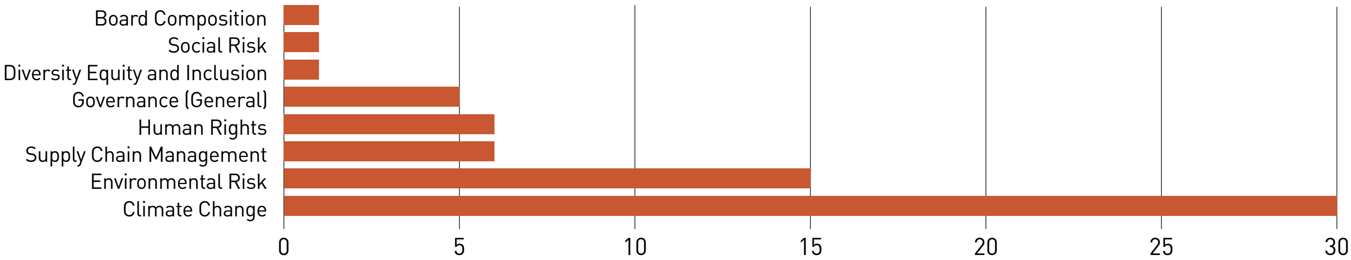
COMPANY PROGRESS REPORT

44 companies were engaged over the quarter.

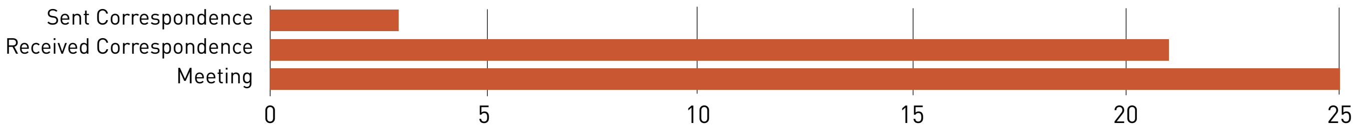
Company/Index	Activity	Topic	Outcome
Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Meeting	Environmental Risk	Dialogue
ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
AVIVA PLC	Meeting	Climate Change	Dialogue
AXA	Meeting	Climate Change	Moderate Improvement
BAE SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
BAKKAVOR GROUP PLC	Received Correspondence	Climate Change	Dialogue
BARCLAYS BANK PLC	Meeting	Governance (General)	Dialogue
BARCLAYS PLC	Received Correspondence	Climate Change	Dialogue
BP PLC	Meeting	Governance (General)	Dialogue
CENTAMIN PLC	Received Correspondence	Climate Change	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Change in Process
CRH PLC	Received Correspondence	Climate Change	Dialogue
EASYJET PLC	Received Correspondence	Climate Change	Dialogue
ENERGEAN PLC	Received Correspondence	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Sent Correspondence	Social Risk	Awaiting Response
FORD MOTOR COMPANY	Meeting	Supply Chain Management	Dialogue
FRESNILLO PLC	Received Correspondence	Climate Change	Dialogue
GLENCORE PLC	Meeting	Board Composition	Dialogue
HARBOUR ENERGY PLC	Received Correspondence	Climate Change	Dialogue
HSBC HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
INTERNATIONAL DISTRIBUTIONS SERVICES PLC	Sent Correspondence	Governance (General)	Awaiting Response
JOHN WOOD GROUP PLC	Received Correspondence	Climate Change	Dialogue
KKR & CO INC	Received Correspondence	Diversity Equity and Inclusion	Small Improvement
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Dialogue
LLOYDS BANKING GROUP PLC	Meeting	Environmental Risk	Small Improvement
MERCEDES-BENZ GROUP AG	Meeting	Human Rights	Small Improvement
NATIONAL GRID GAS PLC	Meeting	Climate Change	Dialogue
NATWEST GROUP PLC	Received Correspondence	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Change in Process
PERSIMMON PLC	Meeting	Climate Change	Dialogue
PING AN INSURANCE GROUP	Meeting	Climate Change	Change in Process
PRUDENTIAL PLC	Meeting	Climate Change	Change in Process
RENAULT SA	Meeting	Supply Chain Management	Moderate Improvement
RESTAURANT BRANDS INTERNATIONAL INC	Meeting	Supply Chain Management	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	No Improvement
ROLLS-ROYCE HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
SANOFI	Received Correspondence	Environmental Risk	Substantial Improvement
SAP SE	Meeting	Human Rights	Dialogue
SHELL PLC	Received Correspondence	Climate Change	Dialogue
STANDARD CHARTERED PLC	Received Correspondence	Climate Change	Dialogue
THE HOME DEPOT INC	Meeting	Supply Chain Management	Moderate Improvement
THE TJX COMPANIES INC.	Meeting	Environmental Risk	Small Improvement
TI FLUID SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
VALE SA	Meeting	Human Rights	Dialogue

ENGAGEMENT DATA

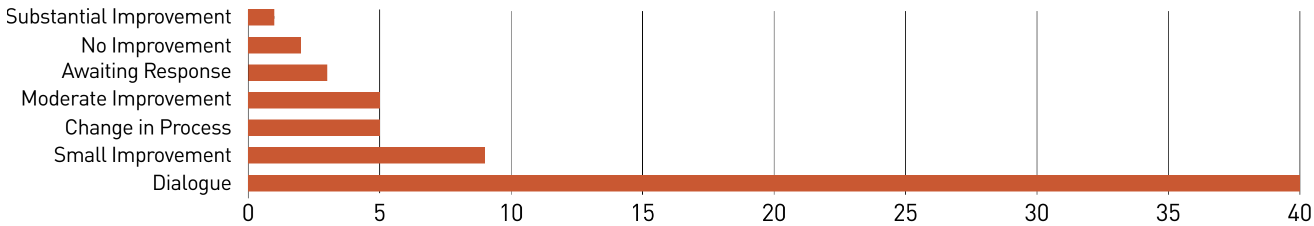
ENGAGEMENT TOPICS



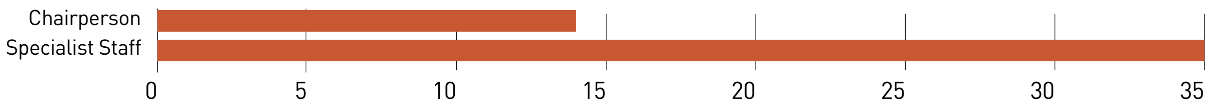
ACTIVITY



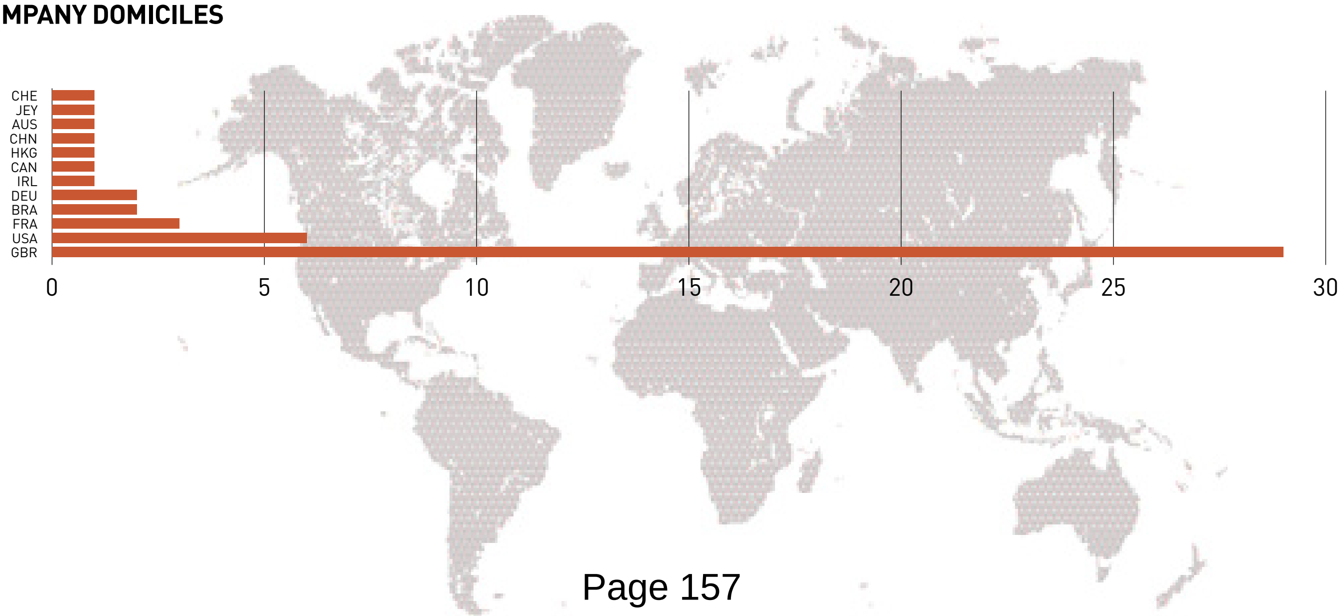
MEETING ENGAGEMENT OUTCOMES



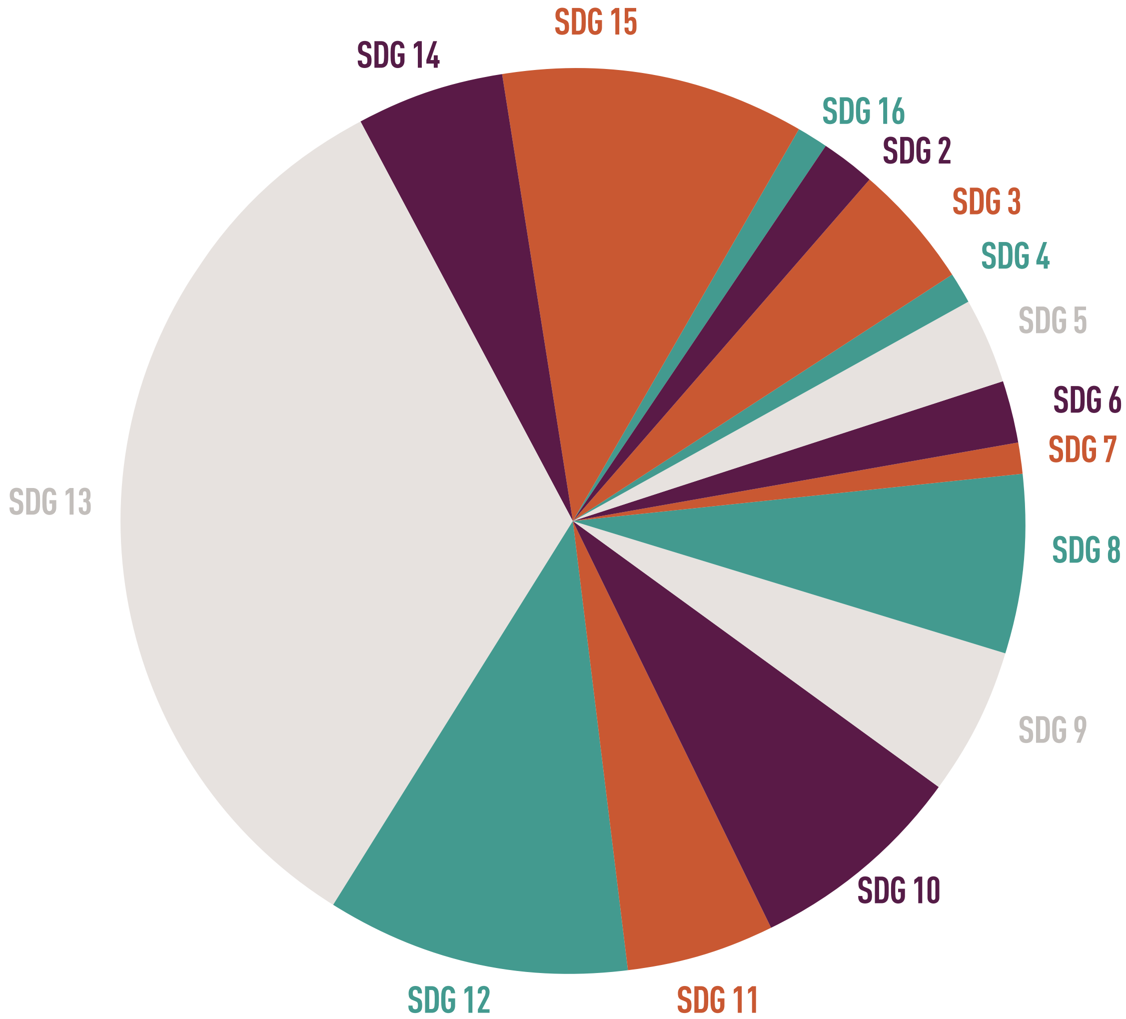
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	3
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	6
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	7
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	10
SDG 13: Climate Action	31
SDG 14: Life Below Water	5
SDG 15: Life on Land	10
SDG 16: Peace, Justice, and Strong Institutions	1
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

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)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

ACCESS Pool
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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Brent	**Brent Pension Fund Sub-Committee** 21 February 2024
	Report from the Corporate Director of Finance and Resources

Training Update - Members' Learning and Development

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Three: Appendix 1 - Brent Pension Fund Training Plan Appendix 2 - Brent Pension Fund Training Strategy Appendix 3 - Training Content and Learning Schedule
Background Papers:	None
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 Finance 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 The purpose of this report is to inform members of the committee and provide an update on the provision of the LGPS online learning facility.

2.0 Recommendation(s)

2.1 The Pension Fund Sub-Committee is recommended to note the report and continue the learning programme as outlined in the training timetable.

3.0 Detail

3.1 **Contribution to Borough Plan Priorities & Strategic Context**

3.2 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.

3.3 **Background**

3.4 In March 2021, the report to the Pension Board on member training and development set out expectations that all involved in the governance of public sector funds should evidence they have the knowledge, skills and commitment to carry out their role effectively and advised that officers were exploring opportunities for bespoke in person and online learning to assist members of Committee, Board and officers in fulfilling their responsibilities.

3.5 To work towards this, the Fund has subscribed to the LGPS Online Learning Academy (LOLA) which is a service launched by our actuaries at Hymans Robertson. This is an online platform designed to support the training needs of Pension Fund Sub-committee, Board and other responsible officers in the Council.

3.6 The course includes eight training modules and covers all the key areas to successfully manage the running of the Fund, including:

- Introduction to the LGPS and role of elected members
- Governance & Regulators and Business Planning
- LGPS administration, including policies and procedures, accounting and audit
- LGPS valuations, funding strategy and LGPS employers
- Investment Strategy, pooling, responsible investment, and performance monitoring
- Current issues in the LGPS

3.7 As well as delivering training support, the training platform tracks the progress of training plans and provides a record of activity. The platform allows members to complete modules at a convenient time for them. The Fund is recommending that completion of modules should be accomplished at the pace of one module per calendar month beginning November 2023.

3.8 To date, we would expect members to have completed Modules 1, 2 and 3, with Module 5 set for completion by the end of February. This is in line with the proposed learning structure, outlined in Appendix 3 of this report. The table below shows an update of module completion for each member of the Pension Fund Sub-Committee as at 1st February 2024.

Title of Module	Target date to be completed	Members completed module
Introduction	Nov-23	Elizabeth Bankole Cllr Johnson Cllr Choudry Cllr Miller
Module 1 – Committee Role and Pensions Legislation	Nov-23	Cllr Choudry Cllr Miller
Module 2 – Pensions Governance	Dec-23	Cllr Johnson
Module 3 – Pensions Administration	Jan-24	N/A

3.9 Officers will bring a record of training undertaken on the platform by members of the committee and board to each meeting.

4.0 Stakeholder and ward member consultation and engagement

4.1 This is not applicable for this report.

5.0 Financial Considerations

5.1 There are none arising directly from this report.

6.0 Legal Considerations

6.1 There is a statutory for Pension Boards to evidence current levels of knowledge and understanding and for the Fund to include detailed information on training events offered and attended by elected members in its annual report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are none arising directly from this report.

8.0 Climate Change and Environmental Considerations

8.1 There are none arising directly from this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are none arising directly from this report.

10.0 Communication Considerations

10.1 There are none arising directly from this report.

<u>Report sign off:</u> ***Minesh Patel*** Corporate Director of Finance and Resources

This is the proposed Training Plan for the Brent Pension Fund Committee and Board Members. The Plan aims to give an indication of the delivery method and target completion date for each area. On approval, officers will start to implement this programme, consulting with Members as appropriate concerning their availability regarding appropriate delivery methods.

	Proposed delivery method									
Training need	Officer briefings	Briefing note	Pre Committee/ Board training	Training event (internal or external)	Conferences or Seminars	E-learning	Webinars /videos	CIPFA Framework	Scheduled date	Feedback
Pensions legislation										
General introduction to the LGPS			✔				✔	1		
General pensions framework			✔			✔	✔	1		
LGPS Discretions and fornulation of policies			✔				✔	1		
Latest changes to the LGPS			✔				✔	1		
Pensions governance										
Understanding the role of the administering authority			✔				✔	2		
Understanding the general governance framework, including the role of MHCLG, SAB, TPR and other Regulators			✔				✔	2		
The role of the Pension Committee, the administering authority, Pension Board and scheme employers	✔	✔	✔				✔	2		
Understanding the role of the s.151 officer	✔	✔	✔					2		
Monitoring and management of fund risk	✔		✔	✔	✔		✔	2		
Managing conflicts of interest	✔	✔	✔			✔	✔	2		
Reporting breaches of the law		✔	✔			✔	✔	2		
Pensions administration										
General understanding of best practice in scheme administration (e.g. performance and cost measures)	✔	✔	✔	✔				3		
Appreciation of Fund policies, including the administration strategy			✔	✔				3		
Understanding of discretionary powers and their useage			✔	✔				3		
Overview of pension tax rules			✔	✔				3		
Understanding of the Fund's AVC arrangements, including investment choices and performance			✔	✔	✔			3		
Actuarial methods, standards and practices										
General understanding of the role of the actuary	✔	✔	✔	✔	✔		✔	8		
Understanding the valuation process (including the Funding Strategy Statement) and inter-valuation monitoring			✔	✔			✔	8		
Monitoring of early and ill health retirements		✔						8		
Understanding the process for enabling new employers to join the Fund, together with the cessation process		✔	✔	✔	✔		✔	8		
Understanding the pension implication of outsourcing and bulk transfers		✔	✔	✔	✔		✔	8		
Appreciation of the employer covenant		✔	✔	✔	✔		✔	8		
Pension accounting & auditing standards										
A general understanding of the Accounts and Audit Regulations, together with legislative requirements relating to internal controls and accounting practice			✔					4		
A general understanding of the role of internal and external audit		✔	✔					4		
A general understanding of the role played by third party assurance providers			✔					4		
Pension Services procurement & relationship management										
A general understanding of public procurement policy and the role of key decision makers and organisations			✔	✔	✔			5		
A general understanding of the main requirements of UK and EU procurement legislation			✔	✔	✔			5		
An understanding of the importance of considering risk factors for the Fund when selecting third party providers			✔	✔	✔			5		
Appreciation of how the Fund monitors and manages performance of outsourced providers			✔	✔	✔			5		

Investment performance & risk management										
A general understanding of the importance of monitoring asset returns relative to the liabilities			✔	✔	✔			6		
Understanding ways of assessing long term risk			✔	✔	✔			6		
Appreciation of the Myners principles and the approach adopted by the Fund			✔	✔	✔			6		
Appreciation of the range of support services available, who supplies them and the nature of the perfomance monitoring regime			✔	✔	✔			6		
Financial markets & products knowledge										
A general understanding of the risk and return characteristics of the main asset classes			✔	✔	✔			7		
Understanding the role of these asset classes in long-term Fund investing			✔	✔	✔			7		
Understanding the importance of the Funds Investment Strategy Statement			✔	✔	✔			7		
A general understanding of the financial markets and the investment vehicles available to the Fund, together with their associated risks			✔	✔	✔			7		
Understanding the legisltive limits placed on investments within the LGPS			✔	✔	✔			7		
Understanding how the Fund interacts woth the UK and overseas taxation systems in relation to investments			✔	✔	✔			7		

Brent Pension Fund Training Log			
Subject/description of training	**Attendees**	**Date**	**Feedback**

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HYMANS ROBERTSON

Brent Pension Fund

Pension Committee and Pension Board Training Strategy

March 2021

Contents

Introduction

This is the training strategy of the Brent Pension Fund ("the Fund"). It has been established to aid the Pension Committee, Pension Board and Officers understanding of their respective responsibilities. This training strategy sets out how these key individuals within the Fund will obtain and maintain the necessary knowledge and understanding in order to fulfil their role.

Objectives

The Funds' objectives relating to knowledge and understanding are to:

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Housing, Communities and Local Government.

Pension Fund Committee members require an understanding of:

- Their responsibilities as an LGPS administering authority, as delegated to them by Brent Council;
- The requirements relating to pension fund investments;
- Controlling and monitoring the funding level; and
- Effective decision making in relation to the management and administration of the Fund.

Pension Board members must be conversant with –

- The relevant LGPS Regulations and any other regulations governing the LGPS;
- Any policy or strategy documents as regards the management and administration of the Fund; and
- The law relating to pensions and such other matters as may be prescribed.

Officers responsible for Fund management and administration must ensure they have the necessary knowledge and understanding to:

- carry out the tasks of managing the Fund's investments, administering the payment of benefits and communicating key messages to scheme employers, scheme members and their dependants.

The knowledge and skills required of staff should be set out in their job descriptions, including any formal qualifications required.

Compliance

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board (SAB), the Pensions Regulator and the Secretary of State.

CIPFA Knowledge and Skills Framework – Pension Fund Committees

Although there is currently no legal requirement for knowledge and understanding for members of the Pension Committee it is the Fund's opinion that, in accordance with the Scheme Advisory Board's (SAB) "Good Governance" project members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board.

The CIPFA framework, that was introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

Under each of the above heading the Knowledge and Skills Framework sets the skills and knowledge required by those individuals responsible for Fund's financial management and decision making.

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its code of practice 14 – *Governance and administration of public service pension schemes*. The toolkit covers 7 short modules, which are:

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

The modules of the Regulator's toolkit are by their very nature generic, having to cater for all public service pension schemes. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice they do not cater for the specific requirements of the individual public service schemes.

As a result the Regulator's toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation. Therefore, this toolkit should be used to supplement the existing training plans.

Timing

Ideally, targeted training will be provided that is timely and directly relevant to the Committee and Board's activities as set out in the Fund's business plan.

Approach

This Strategy sets out how the Fund provide training to members of the Pension Committee and Pension Board. Officers involved in the management and administration of the Fund will have their own section and personal training plans together with career development objectives.

- **Induction training** - Pension Committee and Pension Board members will receive induction training to cover the role of the Fund, Pension Board and understand the duties and obligations Brent Council as the Administering Authority, including funding and investment matters.

  It is anticipated that at least 2 day's annual training will be arranged and provided by officers to address specific training requirements to meet the Pension Committee and Pension Board's business plan. All members will be encouraged to attend this event.

- **External courses** - Additionally, a number of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund manager partners.
- **Conferences** - There are also a number of suitable conferences run annually, which will be brought to members attention where appropriate. Of particular relevance are the LGA Annual Governance Conference, LGA Fundamentals Training, National Association of Pension Funds (NAPF) Local Authority

Conference, the LGC Local Authority Conference, and the Local Authority Pension Fund Forum (LAPFF) annual conference.

Additionally, consideration will be given to various training resources available in delivering training to the Pension Committee and Pension Board members. These may include but are not restricted to:

- In-house and shared training events where it improves economy, efficiency and effectiveness
- Self-improvement and familiarisation with regulations and documents
- The Pension Regulator's e-learning programme
- Attending courses, seminars and external events
- Internally developed training days and pre/post meeting sessions
- Regular updates from officers and/or advisers
- Informal discussion and one-to-one sessions
- Formal presentations
- Circulated reading material
- E-learning

Flexibility

When considering training for members of the Pension Committee and Pension Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to ensure flexibility in the manner in which training is provided to support these different learning styles.

Maintaining knowledge

In addition to undertaking ongoing training to achieve the requirements of the CIPFA knowledge and skills framework Pension Committee and Pension Board members are expected to maintain their knowledge and understanding of topical issues through attendance at internal/external events and seminars where appropriate. We recommend that members sign up to the various industry communications such as those produced by the SAB, LGA, CIPFA and the Fund Actuary.

Owing to the changing world of pensions, it will also be necessary to attend ad hoc training on emerging issues or on a specific subject on which a decision it to be made in the near future.

Risk Management

The compliance and delivery of a training strategy is at risk in the event of-

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored within the scope of the training strategy to be reported to the s.151 officer where appropriate.

Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

Budget and costs

A training budget will be agreed and costs fully scoped.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

Effective date

This strategy comes into effect from 23 March 2021.

Review

This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

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LOLA Training Plan

Title of Module	Module Content	Date to be completed	Time Requirement
Introduction	An introduction to LGPS Online Learning Academy	Nov-23	2 minutes
Module 1 – Committee Role and Pensions Legislation	An Introduction to Pensions Legislation An Introduction to Pensions Legislation - The role of a Councillor	Nov-23	37 minutes
Module 2 – Pensions Governance	LGPS Oversight Bodies - DLUHC & GAD LGPS Oversight Bodies - TPR Business Planning LGPS Governance	Dec-23	1 hour
Module 3 – Pensions Administration	Introduction to Administration Additional Voluntary Contributions Policies and Procedures	Jan-24	1 hour
Module 5 – Procurement and Relationship Management	Public Procurement	Feb-24	21 minutes
Module 6 – Investment Performance and Risk Management	Introduction to Investment Strategy LGPS Investment Pooling Performance Monitoring Responsible Investment	Mar-24	58 minutes
Module 7 – Financial Markets and Product Knowledge	Introduction to financial markets and product knowledge Markets, investment vehicles and MiFID II	Apr-24	43 minutes
Module 4 – Pensions Accounting and Audit Standards	Pensions Accounting and Audit Standards	May-24	21 minutes
Module 8 – Actuarial Methods, Standards and Practices	Introduction to Funding Strategy LGPS Actuarial Valuations - Process LGPS Valuation - Technical Employers	Jun-24	1 hour
Current Issues	Understanding McCloud Pensions Dashboards Understanding Goodwin Introduction to Cyber Risk GAD Section 13 Climate Change and TCFD McCloud Consultation June 2023 SAB and HM Treasury Cost Cap Mechanisms Next Steps on Investment (England & Wales) - Consultation overview	On going	

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Brent

MINUTES OF THE PENSION BOARD
Held as an online meeting on Wednesday 8 November 2023 at 6.00 pm

PRESENT (in remote attendance): Mr David Ewart (Chair), Councillor Akram, Chris Bala (Pension Scheme Member representative), Bola George (Member representative - Unison) and Robert Wheeler (Member representative - GMB).

ALSO PRESENT (in remote attendance): Sawan Shah (Head of Finance, Brent Council), John Smith, (Pensions Manager, Brent Council), George Patsalides (Finance Analyst, Brent Council), John Crowhurst (Local Pensions Partnership Administration).

1. **Apologies for Absence**

Apologies were received from Councillor Kabir and Sunil Gandhi (Employer Member – Non Brent Council).

2. **Declarations of Interests**

No declarations of interests were made.

3. **Minutes of the Previous Meeting**

The minutes of the previous meeting held on Monday 24 July 2023 were agreed as an accurate record.

4. **Matters Arising (if any)**

None.

5. **Pensions Administration Update**

Sawan Shah (Head of Finance, 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 was informed that the report was divided into five sections, 'LPPA Quarter 1 Performance', 'McCloud', 'Performance Metrics', 'Annual Benefit Statements' and 'Internal Audit', which would be addressed in turn. It was explained that the data covered April to June 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 the Local Pensions Partnership Administration (LPPA) held monthly meetings to review performance and address any issues.

In discussing the overall performance of LPPA during quarter 1, members were advised that the Casework metric showed that performance was above Service Level Agreement's (SLA) for the majority of cases. However, the performance concerning 'transfers out', 'retirements from active status' and 'deaths' was considered disappointing. As these cases should be a priority for LPPA, officers had raised these concerns with LPPA through varying channels such as the Pension Board, Client Forum and regular performance monitoring meetings. The Board was also informed that the average call wait time for the Help Desk fluctuated between two and four minutes across the quarter, which was within the SLA. In addition, it was detailed that the number of complaints had trended downwards since the completion of the UPM system migration, with 22 complaints since the last Board meeting in July, a decrease from 33 in the prior reporting period. To finalise, Sawan Shah explained that, in addition to the data included in the 'interim performance reports for July and August' on page 17 of the agenda, the Fund had now received data for September 2023, meaning that data was available for the whole of quarter 2.

Following the introduction of the report, the Chair welcomed John Crowhurst from LPPA, the Council's administration service provider, who provided a verbal update regarding recent pensions administration performance, with the update summarised below:

- In speaking on the underperformance in retirements from active cases in quarter 1, members were advised that performance was improving, with 78% of cases being processed within the SLA in quarter 1, 94% in quarter 2 and, so far in quarter 3, 100% of cases had been processed within the SLA.

- It was detailed that the percentage of bereavement cases processed within the SLA was 83% in quarter 1, 80% in quarter 2 and from October to the date of the meeting, 8 November 2023, 79% of bereavement cases had been processed within the SLA. However, the Board was informed that this data included all bereavement cases and therefore concerned both cases where there was a beneficiary and also where there was no beneficiary and thus a payment was not required to be made. Whilst LPPA was prioritising cases in which a payment was required, at the time of the meeting, it could not be confirmed whether this was happening in practice. Nevertheless, for cases being processed outside of the SLA, members were reassured that information would be provided outlining how many days the SLA had been missed by, whether the cases included a beneficiary and if the delay impacted a payment being made. Furthermore, it was explained that cases were only included in performance metrics once they had been completed, meaning that cases currently missing the SLA would only be included in performance data once they had been completed which could result in further negative performance in the short term. The Board noted that work was ongoing with the Bereavement Team and a projection for when performance was expected to return to the SLA had been requested.

- The Board heard that new data had been included in the performance report, outlined in page 35 of the agenda, which showed the number of cases brought forward at the start of the quarter (1,344) and the outstanding number of cases at the end of the quarter (1,419). Members were advised that increasing volumes in casework could point to issues as cases were taking longer to resolve.

- Regarding Help Desk performance, it was detailed that even during periods of high call volumes, such as following the distribution of Annual Benefit Statements, the average call wait time had stayed close to the four minute SLA, illustrating that the strategy concerning the Help Desk was working.

- Members were informed that client specific information would be included in quarterly performance reports commencing at the next Pension Board meeting in March. This data would show how many calls had been made by Brent Pension Fund members and the average wait times relating to those calls, in addition to Brent specific satisfaction scores regarding the Help Desk and the retirement process, which provided more granular data.

- In discussing the registration of Pension Fund members onto Pension Point, the new member portal, the Board noted that approximately 200 members were registering each month, increasing from 2,900 at the end of June 2023 to 3,400 at the end of September. However, the number of registered members had yet to reach pre-migration levels of 4,200 registered members on the old system. The Board was reassured that LPPA was promoting registration at every opportunity.

- Regarding The Pensions Regulator data scores, members were advised that the common score had been stable throughout the previous year, however, the conditional score had fluctuated. Whilst a dip in the conditional score was expected in April 2023 due to employers submitting data from the previous year, it was expected that the conditional score would return to the SLA of 90% in quarter 3.

After the verbal update, the Chair invited questions from Board members, with questions and responses summarised below:

- In response to a query relating to the satisfaction score of the Help Desk, members were advised that the majority of dissatisfaction stemmed from delays, with Brent's specific satisfaction score for September being 77.8%. However, the Board was assured that verbatim comments were reviewed and responded to when necessary.

- In discussing the impact of the delayed processing of bereavement cases, members noted that 13 bereavement cases were processed outside of the SLA in quarter 1, with further information to be provided to officers analysing whether these cases included beneficiaries and how many days the SLA target was missed by. However, it was explained that backlogs for bereavement cases had not been a major issue, therefore the impact was not expected to be significant, although further data would be provided to the Board to review the impact.

- In highlighting the low satisfaction scores relating to retirements, members queried whether there were updated figures available for September. In response, the Board was informed that 40% of respondents were satisfied in September, however only 5 customers had responded, with two satisfied, two dissatisfied and 1 neutral. Members noted that survey responses should be handled with caution as there was the possibility of a self-selection bias as more unhappy customers were likely to submit a response than happy customers. In addition, the low sample size was highlighted which meant that the data was more vulnerable to being easily skewed. In concluding, John Crowhurst stated that LPPA was reviewing the measurement of SLA's and Sawan Shah detailed that from quarter 2 onwards the survey data was Brent specific which was the reason for the number of responses decreasing.

In turning the Board's attention to the next part of the report which related to McCloud, the Chair welcomed John Smith (Pensions Manager, Brent Council) who provided an overview to the Board. John Smith began by explaining that HMRC had introduced two rectification regulations which removed the underpin from the annual allowance and introduced the LGPS Amendment No. 3 which came into force on 1 October 2023 which enabled the underpin to work as intended. The Department for Levelling Up, Housing and Communities was also producing statutory guidance relating to the aggregation of data, as the benefit of the underpin should apply regardless of wherever data was aggregated or not. In addition, McCloud had been expanded to include everyone in the LGPS from 2012 to 2014 who had not had a career break of more than 5 years. In finalising, the Board was advised that Annual Benefit Statements had to include the McCloud underpin from 2025 which posed a logistical problem to software providers as the changes were happening at a fast pace. In the context of the Brent Pension Fund, LPPA had advised that UPM was finding the McCloud implementation challenging. However, the LGA had stated that all software providers were finding the implementation of McCloud difficult and therefore UPM was not an outlier. Currently cases were being processed as normal while system functionality was awaited, and cases would be revisited once the system had been updated.

Following John Smith's overview, John Crowhurst informed members that LPPA had established a project team to work closely with the system supplier to ensure that the system was ready for the implementation of McCloud. LPPA was also testing the launch of new functionalities, with a project board and steering group overseeing the implementation. In order to assess who was impacted by the extension of the McCloud underpin, LPPA was working with employers to collect the necessary data, such as service breaks and hours changes, to ensure that records were correct. Once the data had been collected, LPPA could identify pension scheme members who had been impacted and would flag them. Furthermore, revisions would be done on certain cohorts, such as retirements on health grounds, and they would be aligned to the blue light scheme, which required completion by 2025. The Board was informed that LPPA was expecting the number of impacted members to be confirmed in January 2024. Following this, a plan would be devised with officers in order to ensure cases were processed prior to the 2025 deadline alongside working with the system supplier to ensure that statutory activities were undertaken such as incorporating the extension of the underpin into Annual Benefit Statements.

In thanking John Smith and John Crowhurst for the update, the Chair welcomed questions from the Board, with questions and responses summarised below:

- In discussing the scale of the challenge of implementing McCloud, members heard that LPPA was confident that the system would be able to complete the calculations required for McCloud. However, the impact of McCloud for the LGPS was not expected to be significant in comparison to other pension schemes. Nevertheless, the importance of completing the data collection exercise and formulating a plan by January 2024 was reiterated.

- Regarding a timeframe for when the system was expected to be fully operative, the Board was informed that different functionalities were being implemented on different dates, with end of January 2024 being the timeframe for the completion of the remedy calculations for the initial cohorts impacted by

McCloud. Members were reassured that the Fund would be informed of any delays as regular updates were provided to officers.

- In response to a query concerning the impact that McCloud would have on retirees, members noted that the numbers of people impacted, and the differing impact in each cohort, would be known in January 2024 once the data collection exercise was completed. However, it was explained that in dummy cases the new career average pension scheme had resulted in less people impacted in the LGPS.

- The Board was advised that back payments would be made to impacted members, although in some cases payments would need to be paid to beneficiaries which added further complexity. Members were reassured that all LPPA operational teams were being trained to deal with the relevant calculations to improve organisational resilience.

- In response to a question on whether there were any plans for a diminutive level, the Board noted that there were no such plans.

In moving to the third section of the report, concerning performance metrics, John Smith advised the Board that there were two popular methods of measuring performance. The first method was known as the ‘standard model’ which measured performance by dividing the number of cases completed within SLA during a period by the number of new cases received in the same period. This method could also be enhanced by measuring the average time it took to complete a case at calendar length, with a long average wait time indicating that the “wait” facility on the administration system was being misused. The second model, which was presented at the LGPS Technical Group a few years ago and was used by some county councils across the country, concentrated on dividing the cases completed within SLA by the number of cases completed. However, this model was considered suboptimal for a number of reasons, such as:

- No matter how many new cases were received in a period, if the contractor only completed one case, they would score 100% as long as that case was completed within SLA.

- Once a contractor had completed all the new cases there was no incentive to complete older ones as they reduced the (notional) percentage completed within SLA.

- It was open to manipulation and incentivised bad practice.

In drawing this part of the report to a close, John Smith informed members that LPPA had agreed to show the Fund the matrix behind its performance figures so that the Fund could understand how they were calculated, although the information so far pointed to the methodology being closer to the standard model rather than any alternatives which was said to be encouraging. In concluding the discussion on performance metrics, the Board noted that this workstream was focussed on improving reporting to the Board, with members commenting that graphs and ranges were more informative and nuanced which was preferred over a single figure approach.

Following the discussion on performance metrics, John Smith detailed the Fund's performance concerning Annual Benefit Statements, in which it was a statutory responsibility to issue Annual Benefit Statements to all eligible active and deferred members by 31 August each year. The Board heard that Brent provided Annual Benefit Statements to 95% of active members and 99% of deferred members. As there was no SLA related to Annual Benefit Statements due to the assumption that 100% of Statements would be issued, it was explained that the main reason for an Annual Benefit Statement not being produced was due to employers not completing the end of year return on time or an outstanding query from the year end return.

The Board was reassured that Pension Fund Members who did not receive an Annual Benefit Statement would receive a Statement as soon as the relevant information had been received from employers and any queries had been resolved. Whilst the Fund had moved to receiving monthly data returns from employers and therefore was better prepared to provide accurate Annual Benefit Statements in cases of incomplete datasets, it was detailed that some employers were yet to begin submitting monthly returns in April 2023 as they had not completed an annual report from the previous year, with these cases considered a priority for the Fund. However, members were advised that, in most cases, untimely data returns were not the fault of the employers but rather outsourced payrolls who were not adequately engaging with the process. Regarding underperforming employers and payroll providers, the Board noted that the Fund was taking the following steps to improve performance:

- Pursuing employers who had been slow to submit monthly contribution returns, with issues escalated to senior management in the relevant organisations where necessary.

- Implementing monthly contributions returns to eliminate the possibility of employers not submitting an annual contribution return, which had been the biggest single issue.

- Encouraging employers to monitor their payroll providers where performance was falling short and to change payroll providers if performance was not improving. In extreme cases, the Fund could utilise Regulation 70 to charge employers and payroll providers for any costs incurred due to their poor performance, for example if the Fund were to be fined and it was found to be the fault of an employer or payroll provider.

- Using the powers set out in the Pensions Administration Strategy where employers were not complying with the standards expected.

Prior to moving onto the final section of the Pensions Administration Update, the Chair reiterated the importance of ensuring that Annual Benefit Statements were issued on time, and reminded members that the Board had previously agreed that the Fund's handling of Annual Benefit Statements did not constitute a material breach due to the Fund's continued monitoring and subsequent actions taken.

To conclude the Pensions Administration Update, Sawan Shah outlined the internal audit that was currently taking place regarding the monitoring of the pensions administration contract with LPPA and the collection of pension contributions. Members were advised that the last internal audit was conducted in 2019/20 on the investment process, with the final terms of reference for the current audit attached as Appendix 2 of the report. The Board noted that the audit was expected to be completed in December 2023, with an update to be provided at the next Board meeting in March 2024.

As there were no further questions from Members, the Chair thanked the Pension Team and John Crowhurst for the update, and it was **RESOLVED** that the report be noted.

6. **Local Government Pension Scheme Update**

John Smith (Pensions Manager, Brent Council) presented a report that updated the Board on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund. To begin, John Smith detailed the changes in the SCAPE discount rate, which had been reduced from CPI plus 2.4% to CPI plus 1.7% from 30 March 2023, which increased the notional cost of providing pension benefits. Although the change in the discount rate did not directly impact the LGPS, it was more impactful for unfunded schemes, the Board was advised that many factors within the LGPS were based on the SCAPE discount rate and all contracts to purchase Additional Pension Contributions (APCs) were being revised in April 2024. As the cost of purchasing APCs would increase, it was likely that some existing contracts would terminate and there would be fewer new contracts.

The change to the SCAPE discount also impacted the cost control mechanism which intended to keep the cost of providing pension benefits within a 3% affordability corridor. The Board noted that the core mechanism of the cost cap still used a discount rate of CPI plus 3%, which would ordinarily have seen the cost of providing pension benefits falling due to a decline in longevity. However, the reduction in the SCAPE discount rate (CPI plus 1.7%) increased cost and therefore more than offset the potential reduction, keeping variation within the 3% corridor.

Members were also advised that The Pension Regulator's Single Code was expected to be published in the near future, which brought together 15 codes, with Code 14 relating to the public sector. It was explained that the wording in the original Code was vague and did not differentiate between schemes within the public sector, with the updated Code using consistent terminology to clarify the applicability of elements dependent on the scheme.

Lastly, the Board noted that the Pensions (Extension of Automatic Enrolment) Act 2023 received Royal Assent on 18 September 2023. This Act enabled the Government to make regulations that lowered the minimum age for automatic enrolment from 22 to 18 and removed the lower earnings limit for contributions.

With no additional contributions and in thanking John Smith for the update, the Board **RESOLVED** to note the report.

7. **Members' Learning and Development**

George Patsalides (Finance Analyst, Brent Council) presented the report, which informed members of the provision of a Local Government Pensions Scheme (LGPS) focused online pensions learning facility for officers, Pension Fund Sub-Committee members and Pension Board members. The Board was advised that this report was a continuation of a report considered by the Pension Board in March 2021 regarding member training and development, with the Training Plan attached as Appendix 1 of the report covering the key areas of the LGPS which fulfilled the Fund's statutory obligations outlined by The Pensions Regulator.

It was explained that the training was hosted on the LGPS Online Learning Academy (LOLA) which had been developed by the Council's actuaries, Hymans Robertson LLP. The training consisted of 'bitesize' modules which corresponded to the topics outlined in the Training Plan. Whilst members could complete training at their own pace, they were encouraged to complete one module per month, with training coinciding with important dates within the fiscal calendar. To conclude, George Patsalides stated that members would be receiving their login details over the coming days.

Following the presentation of the report, the Chair commended the Training Plan and Strategy and encouraged members to complete the training modules as recommended to ensure that the Board had the required underpinning knowledge to carry out its duties. As there were no further questions, the Board **RESOLVED** to note the report and supported the roll-out of the online learning programme provided by the Council's actuaries, Hymans Robertson LLP.

8. **Risk Register**

Sawan Shah introduced 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 was advised that the Risk Register was a standing item at all Pension Board meetings which allowed the Fund to identify and manage risks related to the Pension Scheme. In identifying the main amendments to the Risk Register, the Board noted that the following key changes had been made:

- The risk related to data migration, Item 5.7, was deleted because the move to Civica (UPM) was completed in November 2022.

- In relation to Item 9.2, geographical and economic risk in relation to investments, the risk was changed to reflect updated geographical and economic risk, resulting in the risk score and comment being altered.

Members were also informed that officers were conducting a comprehensive review of the Risk Register, in particular relating to the scoring of risks. It was proposed to change the scoring from its current 1-10 scale to a 1-5 scale, as the current system was deemed too granular which made it difficult to differentiate between the magnitude of risks.

In thanking Sawan Shah for the overview, the Chair welcomed questions and contributions from Board members. Contributions, questions, and responses were as follows:

- In response to a query relating to the two amber rated risks, concerning the Annual Benefit Statements 2023/24 and geographical and economic risk in relation to investments, the Board was informed that when taking into account their likelihood of occurring, their impact on the Fund and the identified mitigations, these issues posed the highest risk to the Fund.

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.

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

Before moving on to remaining items on the agenda, the Chair reminded Board members that agenda items 9, 10, 11, 12, 13 and 15 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 2 Investment Monitoring Report, which reviewed the Fund's performance over the second quarter of 2023. Members noted that the value of the Fund had increased by 0.5% over the quarter, with a valuation of £1,125.7m up from £1,116.4m at the end of Quarter 1 2023. It was explained that the Fund's passive global equity exposure was the main driver of positive return on an absolute basis, with income and protection assets, on aggregate, detracting from the total Fund return, which was outlined in page 215 of the agenda pack. In addition, members noted that the Fund's asset allocations were broadly in line with interim target allocations, and the one and three year returns were 4.9% and 5% respectively.

In noting that the report had been subject to detailed review at the Brent Pension Fund Sub Committee on 4 October 2023 and covered monitoring performance up to 30 June 2023, the Board **RESOLVED** to note the Quarter 2 Investment Monitoring Report without any further detailed comment.

10. **Annual Report and Accounts 2022/23**

The Board received an update on the Pension Fund Annual Report and Accounts for the year ended 31 March 2023 and the draft Investment Strategy Statement (ISS). Sawan Shah (Head of Finance, Brent Council) explained that progress had been made since the report was published for the Brent Pension Fund Sub-Committee in late September, with the accounts being signed off on 23 October 2023. The achievement of having the accounts signed off was emphasised, as the majority of local government accounts were still outstanding which placed Brent in the minority of local authorities who had signed off their accounts for 2022/23.

With the Board commending the sign off of the accounts and praising the work of the Finance Team, it was **RESOLVED** to note the report as presented to the Brent Pension Fund Sub Committee on 4 October 2023.

11. **DLUHC Consultation on LGPS Investments**

The Board received a report that outlined the Department for Levelling Up, Housing and Communities (DLUHC) consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS), covering the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments. Members noted that the consultation was published in July

2023 and closed in October 2023, with the main proposals relating to the aforementioned areas highlighted in the cover report.

Overall, the Board was advised that officers were generally supportive of increased pooling and recognised the benefits such as fee savings and greater access to certain asset classes that increased pooling offered. However, members noted that a number of concerns had been raised regarding the proposals, which were widely shared across local government and are summarised below:

- The proposed deadline for the pooling of listed assets of March 2025 was considered challenging.

- As it would be difficult to transfer passive or index-tracking assets by the proposed deadline without incurring significant transaction costs and higher ongoing charges, concerns were raised that these assets would not be classified as 'pooled'.

- It was believed that funds should retain responsibility for setting asset allocations and therefore any ambitions regarding asset allocations should be guidance rather than a requirement.

- The resource burden surrounding the requirements for publishing plans/reporting was highlighted.

- The ambition for funds to invest 10% of asset allocation into private equity was not supported as many funds were fully funded, thus there was less requirement to take risk, and the proposal contradicted other proposals which stated that funds would retain control of their investment strategies.

The Board also heard that the exempt Appendix 1 of the report contained a draft response to the consultation by Hymans Robertson LLP and the Scheme Advisory Board's response had also been issued since the publication of the report.

In welcoming the report and any future feedback arising from the consultation, the Board **RESOLVED** to note the report.

12. Local Authority Pension Fund Forum Update

The Board received an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund, which demonstrated the Fund's commitment to Responsible Investment and engagement as a way to achieve its objectives.

The Board **RESOLVED** to note the update provided without any further comment.

13. Presentation from PIRC Benchmarking – Performance to March 2023

The Board received a presentation from Pensions & Investment Research Consultants regarding the Fund's performance as of March 2023.

As there were no additional comments, The Board **RESOLVED** to note the presentation provided.

14. **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.

15. **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.

16. **Any Other Urgent Business**

None.

The meeting closed at: 7:25pm

MR. DAVID EWART
Chair

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Agenda Item 15

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