



MINUTES OF THE PENSION BOARD Tuesday 3 November 2020 at 6.00 pm

PRESENT: Mr David Ewart (Chair), Councillor and Councillors Crane, Kabir, Ms George, Bala and Wheeler

1. Apologies for absence

Ms. Bola George.

2. Declarations of interests

None declared.

3. Minutes of the previous meeting - 5th August 2020

RESOLVED:

That the minutes of the meeting held on 5th August 2020 be approved as an accurate record.

4. Matters arising

None.

5. Pension Fund Administration Update

This report updated the Pensions Board on various pensions administration matters as part of its remit to oversee the administration of the Brent Pension Fund and reviewed the performance of LPP. Mr Sawan Shah (Senior Finance Analyst) introduced the report and answered Members' questions. He reported on the Pensions administration team's monthly meetings with LPP that monitored the performance of the contract looking at both the individual month and trends across months.

Members heard that the number of cases completed were on time in September 2020 at 99.5% which was above the target of 98%. He clarified that whilst most of the new cases related to death these were not necessarily related to Covid-19. Helpdesk call performance that measured the average wait time and calls answered was 90% the target time of 2 minutes. He then referenced the service improvements delivered; the launch of a bereavement survey, an in-house bulk email solution, mortality tracing and address screening launched through Target. Scheduled updates included launch of single website for all Members and Employers which was due in November 2020, members surveys to launch for estimates and transfers and a 'Livechat' feature to be available on the new website.

In concluding his review, Mr Shah stated that Brent and LPP were taking action to ensure that these cases are resolved swiftly however the complex nature of some cases meant that this was not always possible. In addition, following the completion of each case, a process was undertaken to ensure any lessons learned were reviewed and consequently, if necessary, processes and procedures updated.

Mr Ravinder Jassar (Head of Finance) introduced the remaining salient aspects of the report: Annual Benefit Statements (ABS), Data Cleansing and GAD Valuation. The Head of Finance informed the Board that ABS was issued online to all members identified on year-end returns from employers by the deadline of 31 August 2020. Any member who had opted out of electronic communications received a printed copy of their ABS through the post. The Board heard that the Fund was carrying out a focussed exercise with a dedicated resource to clear historical unprocessed leavers. Due to this issue, it had not been possible to issue an ABS to these members. The project, completion by 31st March 2021, would resolve these records and an ABS would be made available to these members as soon as possible.

In respect of year-end returns, he stated that some employers missed the April deadline but by the September, they had all submitted their returns. Mr Jassar continued that the Pensions Administration Strategy allowed the scheme manager to take actions against employers that failed to comply with their statutory and legal obligations to the Pension Fund. These actions would be considered should employers not respond to LPP's requests for information in a timely manner. The scheme manager would continue to work closely with LPP and employers to resolve the outstanding queries as soon as possible, treating the overall exercise as a high priority.

On data cleansing, the Head of Finance informed the Board that notwithstanding the first phase of the project commissioned to cleanse and fix errors identified in member data, responses received were not sufficient to process the leaver cases. As a result, the Fund has commissioned a separate project to review and resolve these outstanding leaver queries. This will ensure that additional dedicated resources can be put in place until 31st March 2021 in order to ensure that this issue can be resolved as quickly as possible. In the absence of such a dedicated project, it is likely that these cases will remain un-solved into 2021/22 and continue to impact Brent's data scores. He then set out the flip side of not carrying out the project which included but not limited to the following:

- Errors remaining on records at the next valuation therefore requiring assumptions to be made.
- A material impact on the Fund's TPR data score, in particular the conditional score which records scheme specific data.
- The GAD (Government Actuary Department) require good quality data to be submitted for their analysis of LGPS funds.

With no further issues raised and having established that all members had followed the discussions, the Chair thanked all speakers for their contributions. In welcoming the updates Members RESOLVED:

To note the overall report.

6. **Actuarial Update: COVID-19 and Regulatory Changes**

The purpose of this report was to provide the Board with a summarised overview of recent market movements and recent changes to the Fund Regulations. Mr Ravinder Jassar (Head of Finance) introduced the report and answered Members' questions.

The Head of Finance informed the Board that COVID-19 has had a substantial impact on the global economy and the financial markets in 2020. This had led to the Fund's funding level becoming increasingly volatile from February 2020 onwards. The Fund experienced a sharp fall in the funding level in March however there had been some 'bounce-back' in recent months as explained in the tables within the report. He added that whilst the impact on businesses and institutions in all sectors was global, the majority of the Fund's employers were public sector bodies, where the covenant was strong. The most significant impact on covenant is in respect of other employers within the Fund including those who were close to exit, were not publicly-funded and/or had a weak covenant at the 2019 valuation.

He gave an update on the McCloud case and its impact on the Fund. He explained that to apply the same protections retrospectively to all members who were in the 2008 LGPS scheme on 31st March 2012 would require recalculating benefits for pensioners, and paying arrears and interest. This would result in a small increase in liabilities at Fund level of c£1M or 0.1% however, increases for some employers may be significantly higher. From an administration perspective, the effort required to implement the remedy would be significant and the project was estimated to take 2 years or more to complete.

Members heard that the Government announced in January 2019 that Cost Management Valuations, a valuation at national level carried out by the Government Actuary's Department (GAD) on behalf of Treasury to assess the overall cost of pension provision every 3 to 4 years was to be put on hold until McCloud was resolved. The Head of Finance drew Members' attention to developments involving the £95,000 exit cap payments The Goodwin Ruling and other regulation changes to support management of employer risk as set out within the report.

With no further issues raised and having established that all members had followed the discussions, the Chair thanked all speakers for their contributions. In welcoming the updates, Members RESOLVED:

To note the updates and the overall report.

7. **Brent Risk Register**

Mr Saagar Raithatha (Finance Analyst) introduced this report that presented the updated Risk Register for the Brent Pension Fund Pensions Administration Service. He drew the Board's attention to the appendix to the report that set out the risk register and highlighted the following key changes:

- Exit Pay Reform - New legislation which will alter the redundancy benefit entitlements to LGPS members aged 55 and above.
- Following the close of the McCloud consultation, Brent Officers had provided a response to MHCLG and following discussions with the Fund's actuary,

Officers were now in discussions with LPP and Hymans to prepare for the impact whilst awaiting the government's formal response to the consultation and the subsequent change in regulations enacted in law.

- The Auditors had signed off Brent Pension Fund Accounts 2020/21 and that the Brent Pension Annual Report was currently going through the audit sign-off process.

In response to a Member's enquiry, Me Raithatha assured the Board that security of data was always paramount in the risk register and therefore was regularly reviewed and consistently monitored.

Members welcomed the report and agreed with the classifications set out within the appendix. With no further issues raised and having established that all members had followed the discussions, the Chair thanked all speakers for their contributions. In welcoming the updates, Members RESOLVED:

To note the report.

8. **Investment Monitoring report 2020, Q2**

This report gave an overview of the Fund's performance for the quarter. Brent Pension Fund Sub-Committee had considered this report at its last meeting and noted the following highlights:

- Asset classes recovered strongly during the quarter from the steep declines suffered in the first quarter with the key drivers being the amounts of stimulus package by global central banks and the re-opening of economies after the lockdown.
- The Fund's assets produced a return of 11.6% and outperformed against the aggregate benchmark over the second quarter of 2020 with the result that value of the Fund's assets increased over the quarter from £835.3m to £926.9m and recovered almost all of the ground lost during the first quarter.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the investment monitoring report for quarter 2, 2020 be noted

9. **Investment Strategy: Transition Roadmap**

Mr Sawan Shah (Senior Finance Analyst) introduced this report that detailed the investment strategy transition roadmap prepared by the Fund's investment advisors, Hymans Robertson. Brent Pension Fund Sub-Committee meeting had considered and agreed the recommendations within the report. The following highlights were by the Board:

The Fund's investment beliefs and appendix 1 to the report highlighted that the Fund was broadly in line with the interim strategic allocation but that structural imbalances prevailed. Global equities were 4.2% underweight, UK equities were 5.9% overweight and an imbalance between Baillie Gifford and Ruffer (13.3% and 5.7% respectively). To address these global equity allocation be increased by 3%

once the initial investment in BlackRock's low carbon fund had been completed, thus reducing exposure to UK equities and adjusting the allocations to Baillie Gifford and Ruffer.

Recommended that a reduction in the allocation to UK equities to the interim target allocation of 5% by selling down LGIM's UK equity holding in two steps, each of 3%, and reinvesting the proceeds as follows:

1. Reinvest 3% in Ruffer for the reasons set out in the next section.
2. Reinvest 3% in LGIM global equity.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the report be noted.

10. **Competitive Markets Authority (CMA) Objectives**

The report outlined the proposed approach to be taken by the Fund in relation to the assessment of Hymans Robertson against objectives set in 2019. Mr Sawan Shah (Senior Financial Analyst) introduced the report that had been considered by the Brent Pension Fund Sub-Committee at its last meeting. He drew attention to the following salient points|:

- 'Compliance Statements' were to be submitted within 12 months and 4 weeks from the 10 December 2019 and annually thereafter. Officers were aiming to submit the statement well ahead of the scheduled deadline of 07 January 2021.
- The compliance statement, essentially acknowledges that the Fund would have and will continue to have objectives in place for their investment consultants.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the report be noted.

11. **Brent Pension Fund: Annual Report and Accounts 2019-2020**

This report presented the draft Pension Fund Annual Report and audited Annual Accounts for the year ended 31 March 2020. Mr Saagar Raithatha introduced the report that had been considered at the last meeting of Brent Pension Fund Sub-Committee at which the following were noted:

- There had been no major changes to the Audited Annual Accounts since the submission of the Draft Annual Accounts. Only minor changes and additional clarifications have been made.
- During 2019/20, the value of the Pension Fund's investments decreased to £835m (2018/19 £856m). This was due to the poor performance of equity markets in the final quarter of the year related to COVID-19. At the end of December 2019, investments were valued at £935m.

- Total contributions received from employers and employees totalled £60m for the year, an increase on the previous year's £52.1m.
- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, totalled £48m, an increase on the previous year's £46m.
- As in 2018/19, the Fund is in a positive cash-flow position because its contributions exceed its outgoings to members.

The Fund completed its 2019 valuation in the 2019/20 financial year when it was agreed that the employer contribution rate would remain stable at 35% for the next 3 years. This was consistent with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date.

The Board welcomed the report and on behalf of the Board, the Chair congratulated officers for the informative report. With no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the Brent Pension Fund Annual report and accounts 2019-2020 be noted.

12. **Any other urgent business**

Vacancy - Other Employers Representative.

Mr Ravinder Jassar (Head of Finance) informed the Board he had received expressions of interest to fill the vacant other employers' representative on the Board but due to the Covid-19 restrictions, he had put it on hold to be revisited.

13. **Exclusion of Press and Public**

RESOLVED:

That the press and public will be excluded from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely;

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

14. **London CIV Update**

The purpose of this report was to update the Sub-Committee on recent developments within the London CIV (LCIV). Mr Ravinder Jassar (Head of Finance) provided updates on the following key aspects within the report which had been considered at the last meeting of Brent Pension Fund Sub-Committee:

- i) ESG reporting which provides an investment summary, a London CIV and market update and key portfolio data for the Fund's holdings with London CIV.
- ii) Multi asset credit fund.
- iii) Private debt. Since the last committee meeting, officers had provided London CIV on what the Fund would be looking for from private debt mandate.
- iv) Fund launches; details as set out in appendix 3 to the report.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the recent developments within the London CIV be noted.

The meeting closed at 7.25 pm

MR. D EWART
Chair