



## **LONDON BOROUGH OF BRENT**

### **MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Held in the Conference Hall, Brent Civic Centre on Tuesday 05 October 2021 at 6.00 pm**

**PRESENT:** Councillor Choudhary (Chair) and Councillors Daly, Donnelly Jackson & Kansagra and Elizabeth Bankole (Independent Co-Opted Member). Councillor Perrin was also present in remote attendance.

Also Present (in remote attendance): David Ewart (Independent Chair – Pension Board) and Councillor McLennan (Deputy Leader and Lead Member for Resources)

Apologies for absence were received from: Councillors Aden and Mitchell Murray.

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

Councillor Daly declared a personal interest in Agenda Item 9 as a Council appointed Trustee on the Edward Harvist Trust.

#### **2. Minutes of the previous meeting**

**RESOLVED:** That the minutes of the previous meeting held on 24 June 2021 be approved as an accurate record of the meeting.

#### **3. Matters arising**

None.

#### **4. Deputations**

None.

#### **5. London Borough of Brent Pension Fund- Q2 2021 Investment Monitoring Report**

Kenneth Taylor (Hymans Robertson LLP Investment Consultant) introduced a report which outlined the performance of Brent Pension Fund during Q2 2021.

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

- The Committee were updated that Q2 had involved a strong performance by the Fund, with a £45m million increase in value, which was equivalent to a 5.1% return. This was ahead of the benchmark set for The Fund and continued the strong rate of returns being delivered reflecting the increase in economic activity as a result of the easing of restrictions as part of the global recovery from the pandemic.

- The main driver of returns were The Fund's growth holdings and equity investments, with the Baillie Gifford multi asset fund having produced particularly strong performance.
- In terms of Asset Allocation and valuation the Fund remained broadly in line with the interim target allocations for growth and income assets. In terms of valuation the Fund's assets had grown from £1032m to £1076m with £48m held in cash at the end of the quarter. It was, however, noted that this included £30m earmarked for investment in the new BlackRock Low Carbon equity fund.
- The proposed approach towards scaling back investment in the Capital Dynamics and Alinda Infrastructure Funds remained on track with the aim to scale up the proportion of investment held with the London CIV. This would include the LCIV Infrastructure fund which whilst in its infancy would see an expected ramp up over the next 3 years alongside the ongoing commitment to the LCIV private debt fund.
- The approach also being developed in relation to strategic property investment, on which it was noted a report was due to be considered by the Sub Committee later on the agenda (Min item 13 refers).

An overview was then provided in relation to manager performance of the various funds, with the following noted:

- That total Fund return was positive during the quarter, with longer term performance also comfortably ahead of targets.
- In growth assets, it was noted that there was very strong performance from the equity investments in global, UK and private equities. Growth assets were noted as being the main driver of returns over the quarter.
- The Baillie Gifford multi asset Fund had posted strong performance, driven by listed equities, property and infrastructure allocations which had benefited from the ongoing economic recovery. Strong performance had also been identified in relation to the Ruffer multi asset Fund, with the returns from both at 14.2% relative to the benchmark of 2.1%.
- The reasons identified for the lower than expected performance in relation to the Capital Dynamics and Alinda Infrastructure funds.

The Chair thanked Kenneth Taylor for his presentation and members were then invited to ask questions, with the responses summarised below:

- In relation to the Black Rock low carbon equity fund clarification was provided regarding the timescale for initial investment, which had been made at the start of September 21. Further details would therefore be included as part of the next monitoring update to the Committee in February 22.

Members welcomed the update provided and with no further issues raised thanked Hymans Robertson LLP for their presentation. It was **RESOLVED** that the report noted.

## 6. **Brent Pension Fund- Annual Report and Accounts 2020/21**

Flora Osiyemi (Head of Finance) introduced the report, providing the Sub-Committee with an update on the Pension Fund Annual Accounts for the year ended 31 March 2021.

The Committee noted that since publication of report the Pension Fund Accounts had been finalised with an unqualified opinion issued by Grant Thornton, as external auditor. The key items were noted as follows:

- During 2020/21, the value of the Pension Fund investments had increased to £1,032b, compared to £835m in 2019/20. This improvement was mainly due to strong performance from the Fund's investment managers and bounce back in the markets as part of the recovery from the pandemic.
- Total contributions received had been £61m, an increase from £60m in the previous year.
- Total benefits paid to scheme beneficiaries in the form of pensions or other benefits were £42m, a decrease on the previous year's £48m.
- As in 2019/20 the Fund remained in a positive cash flow position as its contributions exceeded outgoings to members.
- In terms of next steps, the Pension Fund Annual Report was due to be published on 1 December 2021, which would be subject to review by Grant Thornton, as external auditors in order to complete the audit process.

The Chair supported by the Sub-Committee took the opportunity to thank the Finance Team and Grant Thornton for their efforts in completing the Accounts and audit process within deadline, which Brent had been one of the first local authorities to achieve.

As no further issues were raised it was **RESOLVED** to note the current position and progress made in finalising the Brent Pension Fund Accounts 2020/21 along with the audit findings.

## 7. **Net Zero Transition Roadmap**

Flora Osiyemi (Head of Finance) introduced the report, which presented a detailed framework setting out the practical steps to transition to net zero and to top-up the allocation to the Fund's existing low carbon global equity mandate.

In presenting the report the Sub Committee noted:

- The Net Zero Transition Roadmap which had been prepared by the Funds Investment Advisors (Hymans Robertson) and had been attached as Appendix A to the report. This set out a series of proposed steps for the Fund to consider over the short, medium and longer term in the context of setting and achieving net zero.
- The importance of the Fund in being able to evolve its investment strategy in order to take account of the opportunities and risks presented by climate change, in relation to its responsible investment approach, alongside the progress made to date.

Kenneth Taylor (Hymans Roberston) then went on to present the key sections and principles within the Roadmap, with the Sub Committee noting:

- The background to responsible investment and key themes/principles that would require consideration by the Fund as part of its journey towards net zero.

- The development of a Net Zero Framework consisting of five key areas to drive forward the strategy. These were identified as education, understanding the baseline, evaluating alignment and setting targets, planning and implementation actions and monitoring and ongoing reporting.
- The short and medium term roadmap for each key area within the Framework along with potential targets (both long term and interim) and outline/assessment of potential equity funds.
- The Roadmap was noted as setting out what would be required to be analysed in the next 12-18 months to develop the plan further. This included considering what metrics would be used to measure the fund's climate footprint.
- In terms of targets, whilst the key aim was to achieve a net-zero position, this would require consideration of a realistic timeframe combined with shorter term targets in order to inform actions moving forward towards the longer term aspiration.
- The management and stewardship of this fund was noted as being important, including decisions around investment opportunities and funds.
- In relation to education, the importance in developing training and a focus around responsible investment was highlighted as key as part of the first phase in delivering the Framework during 2022.
- In terms of investment options, the London CIV already operated a number of funds which included an Environmental, Social and Governance (ESG) criteria, which could also be developed as an approach within the Framework, also taking account of the requirements established in relation to the Taskforce for Climate Related Financial Disclosures. These disclosures would likely need to be produced in October 2023 should LGPS (Local Government Pension Scheme) funds be required to comply.
- It was updated that the fund's current carbon emissions would need to be determined. The London CIV had set up metrics for this, however other fund managers outside of the LCIV arrangements would also need to supply the details. Once this was ascertained, this could then be reported back on an ongoing basis to monitor the impact in relation to the reduction in carbon emissions.
- The timescale of achieving a Net-Zero position was then highlighted, with the Sub Committee advised that the London CIV had announced a target of reaching Net-Zero by 2040. As part of this they had proposed interim carbon intensity targets for their fund range and broader engagement and transition targets with their net zero strategy having been attached as Appendix 2 to the report.
- To this end, it was noted as being important to assess the feasibility of different target dates, including 2030, 2040 or 2050. It was proposed that this work would be carried out as part of the initial delivery and development of the Framework in Q1 2022.
- The wider governance issues requiring consideration as part of the longer term delivery of the Framework, including the role and engagement of the Sub Committee and measures in place to monitor the progress of managers, challenging their investment decisions. It was felt this should be based on regular progress reports to the Sub Committee.
- In terms of current asset allocation, the Fund was already in the process of making an initial 3% investment from cash to BlackRock's Low Carbon Fund which had been agreed as part of the previous year's core equality allocation. This was seen as a positive initial step towards the responsible investment

strategy with the intention on increasing the proportion of equity holdings in ESG mandates over time. As part of this approach and in line with the Funds net zero aspirations a growth structure review had been planned for 2022 aimed at reviewing and potentially restructuring the Fund's developed market equity holdings in line with the agreed net zero targets. Ahead of the formal review, however, the Sub Committee (as part of the overall Framework being developed) was being asked to consider a further increase in the allocation to the BlackRock Low Carbon Fund. The Sub Committee were advised that this was supported by Hymans Robertson on the basis of a further 3% allocation (broadly valued at £32m) which would increase the total investment to 6% of total assets. It was felt this would be meaningful enough to provide a positive low carbon impact ahead of the growth structure review without creating any potential issues. In terms of meeting the 3% additional allocation, it had been proposed that this should be from outside the growth (global equities) allocation with the LGIM Global Equity mandate identified as the preferred option, for the reasons outlined within section 4.9 of the report.

The Chair thanked Kenneth Taylor for his presentation and members were then invited to ask questions, with the responses summarised below:

- Members were keen to explore the potential to achieve the new zero target prior to 2040 with it being noted that this would need to be considered as part of the development of the Framework and range of steps developed to help to inform the longer term target.
- In relation to the targets, it was asked whether the development of these would include an assessment of costs, advantages and disadvantages with members advised of the proposed development of a range of different models focussed at achieving the overall target.
- Confirmation was provided that Framework would include an analysis of risks as well as different investment strategies and funds, with the Roadmap being used as the starting point for the process.
- Members were keen to dispense of 2050 as a target and instead focus on the measures required to align with the London CIV target of 2040 or before (if possible). It was therefore suggested that a representative of London CIV be invited to the next meeting of the Sub Committee with members having noted (as exempt information) the ESG characteristics within the existing LCIV Funds contained within Appendix D of the Roadmap.

As no further issues were raised the Chair thanked all officers for their work in preparing the Roadmap and and Sub Committee **RESOLVED**

- (1) To note and approve the Net Zero Road Map, as detailed within Appendix 1 of the report.
- (2) To approve a further 3% allocation (c. £32m based on June 21 valuation) in the BlackRock ACS World Low Carbon Equity Tracker Fund

## 8. **Property Allocation Report**

In view of the main appendix to the report having been classified as exempt and nature of the investment options presented for consideration the Sub Committee **RESOLVED** to move this item into the private session of the meeting for discussion.

9. **Minutes of Pension Board**

The Sub-Committee welcomed Mr David Ewart (Independent Chair - Pension Board) to the meeting to give an overview of the Board's last meeting. Mr Ewart provided an outline of the issues considered at the last Board meeting, which had included the Chair's Annual Report, an update on various pension administration matters, the new Fund administration strategy, as well as an update on the Local Government Pension Scheme. The Board also considered the Pension Fund Risk Register. In concluding the Chair thanked all officers for their support and it was **RESOLVED** to note the minutes from the Pension Board and update provided at the meeting.

10. **Any other urgent business**

None

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

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

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

12. **Property Allocations Report**

Flora Osiyemi (Head of Finance) introduced the report providing an overview of the Fund's strategic allocation to property, an introduction to the UK property market and summary of a four potential property funds for the Sub Committee to consider in terms of investment opportunities and option.

The Sub Committee then received a presentation from Kemeel Kapitan (Hymans Robertson) as the Funds Investment Advisors on the analysis they had undertaken in relation to initial investment options with the Sub Committee noting:

- The Funds long term target allocation to property of 10% which the options detailed within the report had been designed to address given the strategic asset allocation was currently unfunded, with the assets currently being held in a combination of the Fund's equity and two Diversified Growth Funds mandates pending the identification of suitable investment opportunities.
- Whilst investment in the London CIV remained the Funds preferred approach, the London CIV pool had not (to date) made property funds available and with their being no current plans to do so alternative investment options had needed to be explored. As an initial approach towards reaching the 10% allocation Hymans Robertson had therefore proposed starting with a 3% allocation (approx. £30m in value) which could then be topped up in future years. It was felt this would allow the Fund time to assess performance and allocate future funds to the best opportunities in the property market as they became available.

- The strategic case supporting the nature of property investments presented for consideration, as detailed within section 4 of the cover report along with the detailed analysis (set out within Appendix 1 of the report) of the options identified in relation to the high level data, historic performance and current positioning of the recommended core property allocation funds.

The following issues were then raised by members of the Sub Committee in response to the update provided and recommended approach set out in the report:

- Reference was made to the concerns identified at the previous meeting in relation to the acquisition of certain types of property assets (including student accommodation) for investment purposes by the Fund and how this related to the balance provided within the investment options which had been recommended to the Sub Committee. In response members were advised that the proposed investment options were based on core UK balanced commercial property funds targeted at institutional investors. These funds would invest across a range of traditional commercial property market sectors and whilst including “other” alternative sectors the main focus would be on a broad range of industrial, office and retail portfolios.
- In response to concerns raised in relation to any risks and volatility that may be associated with property fund investments, given the ongoing and longer term impacts of the pandemic across the sector, members were assured that this had been recognised in terms of the approach outlined. In terms of mitigations, these included the proposal to split the core property allocation across two complementary funds and to limit the initial allocation to 3% which would allow any underlying property asset risk and tenant exposure to be diversified as well as performance to be assessed prior to investment options in other areas of the property market being considered as part of any topping up process.
- Further clarification was sought in relation to the strategic case provided in support of property allocation with Kameel Kapitan (Hymans Robertson) highlighting the way in which it was felt this would assist the Fund in terms of its longer term objectives not only in terms of diversifying its growth assets but also by providing longer term stability and increasing the range of assets held generating a consistent income yield.
- In terms of fund selection, the Sub Committee noted the summary and assessment of investment fund options which had been undertaken by Hyman Robertson, as detailed within Appendix A of the report including performance and each funds positioning within the market. Members were also advised of the basis for the recommended approach towards indirect as opposed to direct property investment given the practical benefits arising from the pooling of assets and scale which increased the opportunity for investments across a range of property sectors. In terms of the options for Brent it was felt that the size of the assets to be allocated would be insufficient to support direct investment.

Having considered and noted the analysis undertaken by the Funds Investment Advisors (Hymans Robertson) as detailed within Appendix 1 of the report and options presented in relation to an initial strategic investment in property fund(s) the Sub Committee were supportive of the approach outlined and as a result **RESOLVED** to approve the proposed investment of 3% total (c.£30m) in the two funds set out below:

- Fidelity UK Real Estate Fund (1.5%)
- UBS Triton Property Fund (1.5%)

### 13. **Employer Risk and Admission Agreements**

Sawan Shah (Senior Finance Analyst) introduced a report updating the Sub Committee on employer risk to the Brent Pension Fund along with the current position on admission agreements.

In considering the report the Sub Committee noted:

- That the report had been provided for information purposes in response to previous requests for updates to be provided in relation to the management of risk.
- The outline of the different categories of scheme employers in the Fund and how the level of risk (particularly in relation to the employers meeting their obligations to the Fund around payments) varied between each group, as detailed within Section 3 of the report. The key categories of employers were identified as Scheduled Bodies (which included the Council and Academy Schools); Transferee Admission Body (TABs) (which included a range of outsourced contractors such as FM Conway, Veolia and Edwards & Blake) and Community Admission Bodies (CABs) (which in Brent included a small number of charitable organisations operating within or connected to the local authority).
- The detailed approach towards the management and mitigation of employer risk had been set within the Brent Pension Funding Strategy Statement and Administration Strategy. Members also recognised the efforts being made to address risks and issues identified in relation to specific employers on a case by case basis alongside the new powers available to administering authorities since September 2020 to review employer contributions between valuations and provide more flexible termination strategies including “deferred employer status”.
- The background and update provided in relation to admission agreements along with the summary of current outstanding agreements and terminations relating to the Fund, as detailed in Appendix 1 of the report and action being taken to resolve and progress those outstanding to completion.

The Chair thanked officers for the update provided and with no additional risks having been highlighted it was **RESOLVED** to note the report.

### 14. **London CIV Investment Update**

The Sub Committee received the latest update report from the London CIV (LCIV). The update included the LCIV investment review for the period ending 30 June 2021 (as detailed within Appendix 1 of the report) which provided an investment summary with valuation and performance data for Brent’s ACS holdings along with a market and LCIV activities update. Also included (as detailed within Appendix 2 of the report) was the LCIV quarterly investment review for Private Markets for the period ending 31 March 2021, which included Brent’s investments in the LCIV infrastructure fund along with valuation and performance data for the underlying portfolio investments and an update on pipeline investments.



The Sub Committee noted the LCIV net target emissions target with the commitment to become a net zero company by 2040.

With no issues raised in relation to the update provided, the Sub Committee **RESOLVED** to note the investment update provided by London CIV.

The meeting closed at 8.02 pm

S CHOUDHARY  
Chair