

# Business plan for the Fund

## Introduction

This paper is addressed to the London Borough of Brent as Administering Authority to the London Borough of Brent Pension Fund (“the Fund”). It may also be shared with the Pension Fund Sub-Committee (the “Committee”). It sets out the investment business plan from Q2 2022 for the next 12-18 months, as well as covering the past two quarters. This plan summarises the topics covered in recent months and looking forward allows for the evolving priorities for the Fund over the period to 31 December 2023. **We expect this plan to remain a live document that evolves over time and is used to help set meeting agendas and the Fund’s investment and governance needs.**

## Background and objectives

The Fund’s overriding long-term objective is to provide retirement benefits for its members. To meet this objective the Fund adopts the following principles, as set out in the Investment Strategy Statement (ISS):

- Ensure that sufficient resources are available to meet all benefits as they fall due for payment;
- Recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- Enable employer contributions to be kept as stable as possible and at reasonable cost;
- Maximise the returns from investments within reasonable risk parameters.

These principles highlight the interconnected world of funding and investment i.e. there is a balance to be achieved between the level of expected return from investments and the level of required contributions in order to meet the overall objective. Simplistically put, the greater reliance placed on the Fund’s investments for returns, the lower level of contributions that may be required.

Seeking a higher level of return from the investment strategy though inherently means more risk needs to be taken which can be at odds with the principle of keeping employer contributions “as stable as possible and at reasonable cost”. Risk therefore plays an important role in striking the necessary balance, and this level of risk will evolve over time for various reasons e.g. the Fund’s funding position progression and risk appetite. Ultimately, the long-term vision for an LGPS Fund is to achieve some form of steady state – to be able to maintain a stable and affordable contribution rate by delivering a target return subject to an acceptable level of risk.

From an investment perspective, the above objective and principles has been translated into a suitable investment strategy to deliver the necessary return from the Fund’s assets. Setting and managing an LGPS investment strategy has many facets to it though. Investing is only the end result, there is a substantial amount of governance work required by numerous parties in the background. Having a robust, well-structured plan in place will support Officers and Committee members in meeting the Fund’s aforementioned objectives.

The rest of this paper sets out the Fund’s investment work items under various categories and a proposed timetable to provide clear visibility of how and when each may be explored by Officers and Advisors and potentially subsequently addressed by the Sub-Committee at relevant meetings.

## Business plan

Overleaf we show a broad timetable for the various areas and opportunities to be explored by the Fund over the next 12-18 months. For convenience we have drawn out the main priorities below as well as a summary of completed actions in the previous 12-18 months to provide context and demonstrate the good work undertaken by the Fund on its journey to date.

### Key priorities

We view the following as the key items for the Fund to cover over the period to 31 December 2023:

- Equity allocation review
- Protection assets allocation review
- Further development of the Fund's governance arrangements (e.g. ensure existing investment beliefs still appropriate and agree RI priorities)
- Suitability study of LCIV UK Housing Fund with view to making a commitment
- Review of private market commitments with a view to making 'top-ups'
- Agree structure of future property allocation post upcoming property investment
- Further develop RI reporting within the quarterly investment monitoring report

### Completed actions

Over the previous 12-18 months we have worked with Officers on a number of key areas:

- Investment Strategy & Structure review (focusing on interim and long-term diversification as well as the formatting of investment beliefs);
- Governance and Regulation (regular engagement with relevant stakeholders and regularly reviewing of the Fund's key documentation including the Investment Strategy Statement (ISS));
- Various training sessions covering key items such as the investment strategy review process, responsible investment and private market investing (assets such as infrastructure, private debt and property);
- Pooling (analysis of LCIV offerings and transition into a number of sub-funds e.g. private debt);
- Evolving the Fund's Responsible Investment beliefs and diversifying the equity holding to incorporate an investment in low-carbon equity – investment in BlackRock's ACS World Low Carbon Tracker Fund;

- Regular monitoring of the Fund’s performance against relevant targets and benchmarks;
- Regular monitoring of asset allocation and undertaking of rebalancing where and when appropriate.

**Table 1: Business plan**

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Strategy and implementation	- Initial scoping for 2022 investment strategy review and agree outputs	- Develop scope in discussion with actuarial team for investment strategy review (to coincide with 2022 actuarial valuation) - Update net zero road map and identify priority actions for following 6-12 months	- Continue to monitor UBS Triton Fund pricing	- Discuss initial results from 2022 valuation modelling and next steps - Agree scope for structure review (focus on ESG equity funds, private markets top-ups and protection assets) - Review of LCIV UK Housing Fund - Continue to monitor UBS Triton Fund pricing	- Recommend and agree equity allocations to carbon/ESG tilted funds alongside UK allocation - Confirm commitment to LCIV Housing Fund (subject to agreement in Q4) - Continue to monitor UBS Triton Fund pricing	- Recommend and agree changes to private markets and protection asset allocations - Implement changes to equity allocation - Continue to monitor UBS Triton Fund pricing	- Implement changes to protection asset allocation		
Monitoring and reporting	- Q3 2021 IMR - Rebalancing check - Engage with managers/LCIV on RI reporting format	- Q4 2021 IMR - Rebalancing check - Introduce carbon metric reporting in quarterly monitoring reporting	- Q1 2022 IMR, including carbon metric - Rebalancing check	- Q2 2022 IMR, including carbon metric - Rebalancing check		- H2 2022 IMR - Rebalancing check - Develop carbon reporting in light of TCFD consultation and availability of data from LCIV	- Q1 2023 IMR - Rebalancing check	- Q2 2023 IMR - Rebalancing check	- Q3 2023 IMR - Rebalancing check
Pooling - progress and timetable	- Pooling update/timetable - Review of LCIV progress	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable - Discuss LGPS pooling consultation	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable	- Pooling update/timetable
Responsible Investment	- Review RI integration policies of managers/LCIV - Monitor RI related guidance - Engage with managers/LCIV on RI reporting format - Carbon footprint reporting/ESG reporting including gap analysis e.g. for private market mandates	- Monitor RI related guidance - Agree metrics to monitor (LCIV standard reporting) - Initial discussion of net zero target dates and assessment of feasibility	- Monitor RI related guidance - Establish manager monitoring programme e.g. attendance at meetings	- Review of RI beliefs, priorities (capturing 'E', 'S' & 'G') - Develop "strawman" based on 2030, 2040 and 2050 net zero target dates - Agree initial net zero targets in principle, including qualitative targets for private markets if required - Define "on track" target line	- Discuss "local impact" infrastructure consultation - Discuss TCFD consultation - Review of growth allocation to incorporate RI beliefs	- Update relevant policies e.g. ISS, RI beliefs - Define stewardship role and monitoring requirements - Establish manager monitoring programme e.g. attendance at meetings			

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	
Governance	<ul style="list-style-type: none"> <li>- Monitor guidance/regulation updates</li> <li>- Review of business plan</li> <li>- Review CMA objectives and submit compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor guidance/regulation updates</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor guidance/regulation updates</li> <li>- Review of business plan</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor guidance/regulation updates</li> <li>- Annual Review of ISS</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor guidance/regulation updates</li> <li>- Review CMA objectives and submit compliance</li> <li>- Review of business plan</li> </ul>				<ul style="list-style-type: none"> <li>- Monitor guidance/regulation updates</li> <li>- Annual Review of ISS</li> <li>- Annual review of policies (including cashflow/rebalancing)</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor guidance/regulation updates</li> <li>- Review CMA objectives and submit compliance</li> <li>- Review of business plan</li> </ul>
Training	<ul style="list-style-type: none"> <li>- Governance (role of Sub-Committee)</li> <li>- RI Training</li> </ul>	<ul style="list-style-type: none"> <li>- Investment strategy review (possible joint training with actuarial team ahead of valuation)</li> <li>- RI Training</li> </ul>	<ul style="list-style-type: none"> <li>- Develop annual training plan to enhance knowledge and understanding of members</li> <li>- New member training</li> </ul>	<ul style="list-style-type: none"> <li>- Training on TCFD/net zero</li> </ul>						
Other	<ul style="list-style-type: none"> <li>- Cross-practice working with actuarial team on any preparatory work for 31 March 2022 valuation</li> </ul>	<ul style="list-style-type: none"> <li>- Continued cross-practice work in lead up to formal valuation exercise</li> </ul>								

Other ad-hoc items will also continue to arise for specific meeting agendas. There is also the chance that the Fund may create ongoing work-streams depending on what decisions are taken in respect of issues such as the Fund’s Responsible Investment policy.

This plan should therefore be viewed as relatively fluid and a broad outline of the items we would expect to address over the period to 31 December 2023, and we would emphasise the need to maintain a degree of flexibility in the Fund’s timetable.

We look forward to discussing this plan with you on our next call.

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For and on behalf of Hymans Robertson LLP