MINUTES OF THE PENSION BOARD
Held as an online meeting on Monday 25 March 2024 at 6.00 pm

PRESENT: (in remote attendance): Mr David Ewart (Chair), Councillor Kabir (Employer's Representative), Chris Bala (Pension Scheme Member Representative), Bola George (Member Representative - Unison) and Robert Wheeler (Member Representative - GMB).

Also Present: (in remote attendance): Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform), Ravinder Jassar (Deputy Director of Finance), 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 Akram (Employer's Representative) 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 Wednesday 8 November 2023 were **AGREED** as an accurate record.

4. **Matters Arising (If Any)**

None.

5. **Pension Administration Update**

John Smith (Pensions Manager, 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.

In discussing the overall performance of LPPA during Quarter 3 2023/24, members were advised that, despite retirements from active status (91.7%) and deaths (90.8%), casework performance was above service level agreements (SLAs). Nevertheless, given that retirements and deaths should be considered as top priorities, officers had previously raised concerns that the more critical work was falling below the expected performance standard. The Board was then informed of the most recent Helpdesk performance, in which the average wait time fell below 3 minutes, under the 4 minute SLA target. However, although percentage of calls waiting over 15 minutes decreased to almost 0, nearly 20% of callers waited between 5 and 15 minutes. In moving to consider the number of complaints received during the reporting period, John Smith detailed that 27 new complaints had been received which was considered high by historical standards. To conclude, John Smith reviewed the interim performance data for January 2024 in which 92.9% of retirements from active status and 92.6% of retirements from deferred status had been processed within SLAs, in addition to 100% of cases relating to deaths. This was an incremental improvement on performance during Quarter 3, with the key metrics either within SLA or improving upon recent performance.

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 providing a further update on performance regarding cases relating to retirements from active status and deaths in Quarter 4 2024, members were advised that the percentage of deaths cases being processed within SLA was currently 99.2% and the percentage of retirements from active status being processed within SLA was just under 92%. To give further context behind the statistics, John Crowhurst attributed the improvement in processing deaths cases to improved staff training and contingency planning with operational teams and managers. Moreover, the continued poor performance relating to retirements from active was due to a number of factors. One such factor was a technical issue in uploading the required data for those of normal pension age who received an uplift which led to some delays, although the Board was reassured that this issue had now been resolved. Nevertheless, members noted that the technical issue would likely cause lags in performance over Quarter 4 and it was hoped that Quarter 1 2024/25 performance data would show performance improvements in processing retirements from active status.

- Regarding Helpdesk performance, the Board was informed that the data related specifically to calls from Brent members, with the volume of calls dropping from 431 in November to 257 in December, which was not surprising as there were fewer working days in December. In highlighting the abandonment rate of calls, it was detailed that 10.6% of callers were abandoning calls in January 2023 compared to 2.4% in December 2023. Furthermore, in December just under 60% of calls were answered in 2 minutes or less, with a third being answered between 2 and 10 minutes. In explaining that LPPA had undertaken a detailed review of Helpdesk performance, John Crowhurst stated that Monday mornings were the busiest time for the Helpdesk, with mornings generally busier than afternoons in addition to working days following bank holidays. In response to the review, LPPA was ensuring that Helpdesk staff were deployed to calls during peak periods, rather than assisting with emails and portal enquiries.

- In discussing the Helpdesk satisfaction score, members heard that the score was quite volatile, with a significant increase in satisfaction during December 2023 to 87.5%. However, the Board noted that responses to satisfaction surveys were relatively low as the data only related to Brent members, with 8 responses received out of 257 calls. Consequently, John Crowhurst stated that overall satisfaction scores could be provided if necessary to give a better indication of LPPA performance. Similarly, only one response had been received regarding retirements from active satisfaction and therefore the overall satisfaction score would provide a better overview of customer satisfaction.

- Concerning the main drivers behind customer satisfaction, John Crowhurst detailed that satisfaction increased the closer that one was paid to their retirement date, which was impacted by numerous factors such as when LPPA were notified of the retirement, whether disinvestment was required, data returns from employers and how quickly LPPA commenced the retirement process once the required information had been received (normally within 5 working days but the aspiration was to start the process within 24 hours, although it was stated that this aspiration would take some time to achieve). Regarding the aforementioned factors determining the date of payment, members were advised that work was ongoing to improve information flows and communication to improve data returns and general processes.

- In referencing page 40 of the agenda pack which outlined the number of members signed up to the online portal, the Board noted that registrations had steadily increased (3,683 as of December 2023) although the number of registered members was lower than the previous member portal which was approximately 4,200.

- In finalising, John Crowhurst updated members on The Pensions Regulator (TPR) data quality scores. It was explained that the common score was stable, sitting at 96.24% as of December 2023. The 4% missing mainly related to missing data from deferred members, with both officers and third parties attempting to trace members for updated information. In moving to the scheme score, the Board heard that this was more volatile with expected dips between April and August each year due to Annual Benefit Statement data which generally recovered in the following six months, with Quarter 4 data particularly illustrating improvements. Prior to concluding, John Crowhurst informed members that LPPA was conducting a data project to improve data scores, with more detail to follow once further progress had been made.

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

- Regarding the general nature of the new complaints, the Board noted that 8 related to delays and 19 related to the general service provided.

- In response to a query concerning whether the Council and LPPA met with payroll providers to reduce delays and discrepancies, it was detailed that payroll providers were engaged via the Employers Forum and employers were encouraged to hold regular meetings with their payroll providers to ensure that they were carrying out their duties. Moreover, the Board was informed that monthly data returns were launched in April 2023 which had led to over 80% of membership data being collected and reconciled as of December 2023, showing that employers had adapted quickly to the new system. The next step to improve the service was to agree a standard notice of retirement, with the aspiration of one month notice to allow LPPA to commence the processes required.

- In discussing the underperformance of LPPA in relation to processing bereavements and retirements from active status, members were advised that the main issue regarding the bereavement process had been resources, with additional training delivered to improve capacity and reduce delays. Concerning the retirement process, it was detailed that a system issue had resulted in delays which had now been resolved, although performance lags would still be visible in the Quarter 4 performance report.

- Given that complaints were the main indicator of customer satisfaction due the low response rates for customer satisfaction surveys, the Board queried whether more information could be provided in relation to complaints. In response, members were advised that LPPA broke down complaints by process type and therefore more granular data could be provided. Furthermore, LPPA recorded complaints that arose due to issues outside of LPPA's control, such as late notification of retirement and delays in submitting information. Consequently, the Board requested for more in-depth information to be provided regarding complaints at the next meeting.

In turning the Board's attention to the next part of the report which related to the internal audit of the Pension Fund's arrangements regarding the monitoring of the pensions administration contract and the collection of pension contributions, Sawan Shah (Head of Finance, Brent Council) explained that internal audits of the Council's key financial areas were conducted on a rolling basis every 3 years, with the last Pension Fund audit occurring in 2019. Importantly, no critical, high or low risk issues were identified during the audit, although there was one medium risk identified which related to late submissions of monthly contribution returns by employers/payroll providers and where repercussions outlined within the Pension Administration Strategy were not followed through. However, the scheme manager was aware of this risk as it had been previously flagged, which mainly related to a specific payroll provider used by many schools, with officers writing to schools who made use of this payroll provider's services to highlight the need to ensure that their payroll provider was fulfilling all their responsibilities and to ensure that appropriate contract management was taking place. In response, many schools had elected to move to another provider.

In addition to the risk identified above, the audit flagged a number of examples of good practice including: a clear and up to date Pension Administration Strategy, the management of data contribution returns, the oversight of the LPPA pensions administration contract by officers and the Board.

In thanking Sawan Shah for the update, the Chair welcomed questions from the Board, with questions and responses summarised below:

- In response to a query as to whether any other risks outside of the monitoring of the pensions administration contract and pension contributions were identified, members were advised that the audit was limited in scope to these issues and therefore no further risks were identified.

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 that LGPS was now valued at £357.2 billion, a decrease of 1.9%, with 6.2 million scheme members as of 31 March 2023 and 87,129 retirements during 2021/22, a decrease of 8%.

As CPI in September was 6.7%, the Board was advised that pension contribution bands were increasing by the same amount. However, the details of the 2024/25 pay award were not yet known, however in 2023/24 the average pay award was significantly lower than the prevailing rate of CPI inflation and therefore as the employee contribution bands were being uplifted by a higher rate than the average pay award there were likely to be more members of staff dropping into a lower band than in previous years which reduced the contributions payable to the Fund by members. It was explained that this would have a small negative impact on the cashflow position of the Fund in the short term, however, higher inflation expectations had been factored into the 2022 valuation and therefore it was not a cause for concern in the longer term. Additionally, on 2 November 2023 His Majesty's Treasury (HMT) confirmed that the Lifetime Allowance would be abolished from 6 April 2024.

In concluding, John Smith informed the Board that in October 2023 DLUHC published its initial prioritisation policy for McCloud which was attached in Appendix 6 of the report. Moreover, as whole-time teachers could not be in the Teachers' Pension scheme in respect of a concurrent part-time teaching role, this group would become eligible for retrospective membership of the LGPS from 1 April 2015 – 31 March 2022 based on their part-time excess service. Lastly, it was detailed that the LGA had e-mailed administering authorities a spreadsheet for calculating the non-club element of transfers affected by McCloud on 24 February 2024 and the LPPA had advised the Fund that Civica (UPM) would load the red flags, which identified potential underpin cases, over the coming weeks.

Following the initial overview, the Chair opened the floor for questions and comments from the Board, with contributions summarised below:

- In discussing the impact of McCloud on Brent members, it was explained that to benefit from the underpin members would need to be entitled to a significant final salary pension and therefore only a small cohort of members were expected to be impacted.

- In response to a query as to why retirements had decreased, members were advised that one likely reason was the cost-of-living crisis and the other was the increase of retirements during the pandemic, although no research had been conducted on the issue.

In moving to the second part of the report, concerning The Pensions Regulator (TPR) Single Code, John Smith detailed that the Single Code consolidated ten of the existing codes and incorporated content from all 15 codes, coming into force on

27 March 2024. Moreover, the Single Code consisted of five sections: The Governing Body, Funding and Investment, Administration, Communications and Disclosure and Reporting to TPR. In discussing the main governance implications, the Board noted the following:

- The LGPS the scheme manager was identified as the governing body, albeit the role appeared to be a composite of the Board, the Committee and officers.

- The Code required effective systems of governance (ESOG) with greater emphasis on documentation of policies and procedures.

- The scheme should carry out its own risk assessment (ORA) to identify the main governance risks facing the LGPS and it was good practice to develop business continuity/disaster recovery plans.

- The module on cyber controls focussed on reducing the number of incidents and addressing any that may arise. Although this was identified as good practice, the code set out the legal obligations of public sector pension schemes.

- The code expected schemes to have procedures and controls governing the selection and management of advisors and service providers that were supported by an effective conflicts of interest policy.

- The code extended the requirements for Board and Committee members knowledge and understanding to include investment management and financial risk.

- The code included modules on investment governance, investment monitoring and climate change although they were identified as good practice, as opposed to a requirement.

- The module on administration focused on planning service delivery, conducting sound financial transactions, data security and maintaining IT systems.

- The communication and disclosure modules set out general principles for scheme communications and observing the disclosure requirements, with a strong emphasis on scam prevention.

- The Single Code presented fresh challenges and the LGPS and its advisors were currently reviewing the changes. Professional advisors were developing self-assessment tools to help schemes gauge their compliance and monitor their progress.

Prior to inviting comments and questions, John Smith reiterated that the LGPS already had high standards of governance and the new code represented evolution rather than revolution, with regulators stating that compliance did not have to occur immediately. Regarding next steps, members noted that officers would work with its advisors to ensure that the Fund's policies and procedures were compliant with the

Single Code of Practice and would publish reports that explained any changes to seek approval from the Board.

The Chair then welcomed contributions from members, with the resultant discussion summarised below:

- Regarding the deadline for compliance for the new regulations, the Board was informed that a deadline had not been provided although officers were beginning preparations regardless.

- In response to a query as to who was responsible if the Fund did not adhere to governance regulations, members noted that the Sub-Committee, Board and officers were all responsible, with members noting that TPR could utilise enforcement notices to compel to Fund to undertake an action and issue fines. In providing an example of the Board upholding its responsibilities, the Chair detailed that the Board recently reported the Fund to TPR regarding the late issuing of Annual Benefit Statements, although it was found that a material breach had not occurred.

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 members should have completed the training in line with the plan attached in Appendix 2 of the report to comply with best practice, with officers advising members to contact them in the case of any issues.

Following the introduction, comments and queries were sought, with questions and responses summarised below:

- Members outlined technical issues with the site in addition to some missing information which was needed to answer the module questions.

- The Board noted that more frequent reminders could be distributed to remind members to complete training.

With officers outlining that all concerns would be forwarded to Hymans Robertson and the Chair emphasising the importance of completing the training, the Board **RESOLVED** to note the report.

8. Risk Register

Sawan Shah (Head of Finance, Brent Council) 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 regarding the transfer of LPP Administration System from Heywoods to Civica, item 5.6, had decreased as Civica had addressed several software issues relating to McCloud and enhanced UPM's functionality.

- The risk relating to Pension Board training, item 8.2, had been increased as knowledge and understanding was a key topic in the Pension Regulator's (TPR) Single Code, which came into force on 27 March. However, the risk had been partially mitigated by the Fund rolling out e-learning to all Board and Committee members.

- The comments relating to Item 8.6, concerning discretions, had been altered in response to the Fund taking positive steps to mitigate this risk by approving revised Administering Authority discretions and a template of Employing Authority discretions for employers to populate.

- The risk concerning McCloud, item 9.3, had been increased due to its expanded scope, although it had been partially mitigated by improvements in the remedy functionality of UPM.

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 as to why some risks, such as those relating to cyber security, were ranked lower in the Pensions Risk Register compared to the corporate Risk Register, members noted that risk registers were inherently subjective and therefore scores would naturally vary. In addressing cyber concerns specifically, officers expressed confidence in the risk score attributed due to the number of controls present both within the Council and LPPA, although feedback on the Risk Register was always welcomed.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the overall report including the key changes set out in section 3.2.4 of the report.

9. **Pass-Through Policy**

John Smith (Pensions Manager, Brent Council) presented a report that outlined the preferred arrangements for contractors participating in the Brent Pension Fund. In providing an overview of the proposal, John Smith explained that outsourced LGPS members had a right to remain within the LGPS scheme and therefore an agreement was required between the Letting Authority and the Contractor regarding factors such as the Contractor contribution rates, bonds and cessation fees. Due to the need to determine the above elements, the conventional approach, which passed investment risk to the Contractor, resulted in high consultation fees, more expensive contracts for the Letting Authority and a slower overall process. Thus, to improve this process, it was proposed to introduce a 'Pass-Through' policy which passed significantly less pension risk to the Contractor and reduced the costs of participation. This was largely due to the Contractor's contribution rate being equal to the Letting Authority's contribution rate and Contractors not being liable to pay cessation fees, which reduced uncertainty for Contractors seeing as they were not exposed to potential volatile market conditions, which was said should improve the competitiveness of the tendering process for LGPS Letting Authorities.

Furthermore, it was detailed that default Pass-Through would apply to all future arrangements for Contractors with fewer than 15 transferring members. For new Contractors with 15 or more transferring members, the Administering Authority would agree the most suitable arrangement with the Letting Authority. Additionally, it was explained that Pass-Through was being proposed now due to the Department for Education (DfE) recently extending their Academy Guarantee to cover Pass-Through which meant that the Fund could claim expenses back from the DfE if an academy were to cease operating. In finalising, the Board was informed that any early retirement strains and augmentation costs that arose were met by the Contractor via additional lump sum contribution(s), Brent would only ask for a bond or other security if the contract was perceived to be high risk or the letting authority insisted (which meant that a fixed rate would be paid for the majority of small Contractors), and Pass-Through was not suitable for large Contractors (with the Fund retaining the right to opt for a traditional agreement instead of Pass-Through). In outlining that stakeholders were being consulted prior to formal adoption, officers emphasised the benefits of Pass-Through such as more suitable risk sharing, cost savings and lighter administrative processes.

Having thanked John Smith for the introduction, the Chair invited the Board to comment on the proposal, with the consequent discussion summarised below:

- In response to a question regarding how the Pass-Through policy would be fairly implemented, it was detailed that discretions had been minimised as the policy would apply to specific situations and Contractors. Moreover, the policy meant that Contractors only took on risk that they were in direct control over which benefited Employing Authorities via reduced contracts and Contractors through reduced exposure to risk.

- The Board was advised that the Letting Authority was whoever let the contract, such as a school, academy or the Council.

- Regarding built in reviews of the policy to ensure its future appropriateness, it was explained that reviews could be scheduled, although positive feedback concerning Pass-Through had been given from other local authorities who had adopted the policy and therefore it was not anticipated to revert to the conventional approach for small contractors.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to:

(1) Note the proposed Pass-Through approach as the default for admission agreements in line with the principles as specified in the report.

(2) Note that the Pension Fund Sub-Committee recommended that the proposed Pass-Through approach detailed in section 2.1 of the report is approved by the General Purposes Committee at its next meeting.

10. **Administering Authority and Employing Authority Discretions**

John Smith (Pensions Manager, Brent Council) introduced the report, which outlined Brent's Administering Authority Discretions and a blank template for Employing Authority Discretions which could be used as a framework by all the employers in the Pension Fund to develop their own policies. In explaining that a discretion was essentially a choice, John Smith detailed the two differing discretions, voluntary and mandatory discretions. Members noted that it was a legal requirement to publish the required mandatory policies and it was considered best practice to publish a policy outlining how administering/employing authorities intended to exercise their discretions, as it ensured consistency in decision making and helped to guard against challenges and appeals from discontented parties, in addition to demonstrating good governance and providing clarity to members of the scheme. In finalising, John Smith stated that the discretions were not prescriptive and used phrases such as 'may do', 'only in exceptional circumstances' and 'each case will be evaluated on its own merits' to provide the Council and Employing Authorities maximum freedom.

Having heard that the Administering Authority and Employing Authority Discretions had already been approved by the Pension Fund Sub-Committee, the Board **RESOLVED** to note the report.

11. **H2 2023 Investment Monitoring Report**

Before moving on to remaining items on the agenda, the Chair reminded Board members that agenda items 11, 12, 13, 15, 16 and 17 were reports referred to the Pension Board for information following their consideration at the Brent Pension Fund Sub-Committee.

The Board received an update on the Brent Pension Fund Investment Monitoring, which reviewed the Fund's performance over the second half of 2023. Members noted that the value of the Fund had increased by 6% over the reporting period, with a valuation of £1,203m up from £1,125.7m at the end of Quarter 2 2023. It was explained that the Fund's passive global equity exposure was the main driver of positive return on an absolute basis. In addition, members noted that information on the Fund's funding level was included in page 284 of the agenda pack, which showed that the funding level had increased from 87% in Quarter 2 2022 to 115% in Quarter 4 2023 mainly due to asset growth and a reduction in liabilities.

In noting that the report had been subject to detailed review at the Brent Pension Fund Sub-Committee on 21 February 2024, the Board **RESOLVED** to note the H2 2023 Investment Monitoring Report without any further detailed comment.

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

The Board received a report that detailed the outcome of the consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS) in addition to the recently published Pensions Regulator's General Code of Practice. Sawan Shah (Head of Finance, Brent Council) began by turning members' attention to 60 Second Summary, attached as Appendix 1 of the report, which succinctly concluded the key points. Moreover, the Board was informed that that the government intended to proceed with the majority of the proposals which included:

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

Regarding next steps, it was explained that the Fund was awaiting further details on how the proposals would be formalised in LGPS regulations and/or statutory guidance.

In commending the 60 Second Summary, members **RESOLVED** to note the updates included in the report.

13. **LAPFF Engagement Report**

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. Without further comment, the Board **RESOLVED** to note the report.

14. **Exclusion of the 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 reports on the agenda. Given the following items had been submitted for information and it was felt that they 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. **Diversified Growth Fund**

The Board received a report that provided analysis of the LCIV Diversified Growth Fund. As there were no additional comments, the Board **RESOLVED** to note the update provided.

16. **London CIV Update**

The Board received and **RESOLVED** to note, without further comment, a report that provided an update on recent developments regarding Brent Pension Fund investments held within the London CIV

17. **Any Other Urgent Business**

The Board noted that the provisional dates for the 2024/25 municipal year were as follows:

- Thursday 25 July 2024
- Thursday 7 November 2024
- Monday 24 March 2025

The meeting closed at: 7:45pm

MR. DAVID EWART
Chair