



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE

Held in Board Rooms 4, 5 & 6, Brent Civic Centre on Tuesday 8 October 2024 at 6.00 pm

PRESENT: Councillor Johnson (Chair), Councillor Kennelly (Vice-Chair) and Councillors Choudry, Maurice and Molloy along with Elizabeth Bankole (Non-Voting co-opted Member).

Councillor Crabb was also in attendance as an online participant.

Also present: Kenneth Taylor & Malcolm Olsson (Hymans Robertson), David Ewart (Independent Chair – Brent Pension Board) and Councillor Mahmood.

1. **Apologies for Absence and Clarification of Alternate Members**

Apologies for absence were received from Councillor Ahmadi Moghaddam and Councillor Kansagra (with Councillor Maurice attending as a substitute).

2. **Declarations of personal and prejudicial interests**

Councillor Johnson declared a personal interest as a member of the Brent Pension Fund Scheme and also as a Governor of Chalkhill Primary School who were an employer member of the scheme.

3. **Minutes of the previous meeting**

RESOLVED that the minutes of the previous meeting held on Thursday 1 August 2024 be approved as an accurate record of the meeting.

4. **Matters arising**

None.

5. **Deputations (if any)**

No deputations were received.

6. **Q2 2024 Investment Monitoring Report**

Kenneth Taylor (Hymans Robertson) introduced the report, which outlined the performance of the Brent Pension Fund over the second quarter of 2024-25. In introducing the report members were advised that the Fund had posted a positive return with a valuation of £1,279.2m up from £1,259.7m at the end of Q1 with the assets returning 1.4% over the monitoring period. The main driver of the positive return had been the Fund's passive global equity exposure on an absolute basis,

along with its exposure to UK and emerging market equities. Within the income assets, the Fund's private debt, property and multi-asset exposure contributed to performance on an absolute basis. The main detractor from performance was the Fund's government bond exposure, which fell in value as gilt yields rose over the quarter. In noting the wider economic context and update provided on the market background in which the Fund was operating, members were advised of the ongoing challenges and impact arising from uncertainty relating to inflation and fluctuation in interest rates.

The Fund, on a relative basis, had underperformed its benchmark by 0.5% and was behind its composite benchmark over the past 12 months and over 3 years with members noting the current target and asset allocations exposure on an interim and long term basis across growth, income/diversification and protection plus cash and reflecting the Funds Investment and diversification Strategy. This included not only a focus on Global Equity but also Multi Asset, Property and Infrastructure investment allocations which were aimed at reducing volatility. In terms of asset allocation, members were advised that following approval of the partial sale of the LCIV Baillie Gifford Multi-asset fund the first tranche of £33m had been disinvested, with £18m invested in the LCIV JP Morgan Emerging Markets Fund and £15m held in cash. Other transaction activity had included the first commitment to the London CIV UK Housing Fund.

In terms of the funding level, this had been estimated (as at 30 June 2024) to be 123%. This represented an increase from 111% in Q3 2022 with the funding level having remained relatively consistent over the previous 12 month period.

Kenneth Taylor then moved on to provide an outline of performance relating to Fund Managers. Members were advised that Global equities continued to provide positive returns, returning 2.2% over Q2 and maintaining double-digit performance over the last 12 months and 3 years. UK equities had also outperformed global equities for the first time in recent months, returning 3.7% over the quarter. Whilst the Capital Dynamics infrastructure mandate had posted negative returns over the period it was noted this allocation was in run down and represented a small allocation within the Fund. Yield volatility also remained during Q2 with the BlackRock gilts mandate having fallen in value over the quarter as gilts yields rose compared to Q1 levels. In contrast, credit markets continued to perform well resulting in positive performance from the LCIV MAC fund with the property market also having had a positive quarter on an absolute basis, although this still lagged benchmark over the past 12 months. Details were also provided on each mandate's contribution to the Fund's absolute performance over the second quarter of 2024, according to their allocation. The largest contributor to performance over the period remained LGIM's Global Equity fund, given its positive performance and its allocation of c.41%. The Fund also saw positive contributions to performance from the LGIM UK Equity Fund, LCIV JP Morgan Emerging Markets Fund, BlackRock World Low Carbon Fund, and LCIV Baillie Gifford Multi-Asset, Infrastructure and MAC Funds. The main detractor from performance was the BlackRock UK Gilts Fund, making up 9% of the Fund's total assets. Despite negative returns posted by the Capital Dynamics Infrastructure Fund, members were assured this mandate had a relatively small allocation of 0.2%, and had not therefore detracted materially from the Fund's overall performance.

As a further update, members were also advised that since quarter end, one of the Fund Managers had been exploring liquidity options for their private equity mandates, on which a separate report had been provided for the Committee's consideration (Item 14) with LCIV having also placed its emerging markets equities fund under enhanced monitoring due to ongoing underperformance and a further review scheduled for the end of October.

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 regarding the role of LCIV, members were advised that the Brent Pension Fund, alongside all the London Borough funds, was a member of the London Collective Investment Vehicle (LCIV), as one of 8 national asset pools that had been set up to pool Fund investments through a series of investments managed through various Fund Managers, designed to maximise the returns available.

Members welcomed the report and, with no further issues raised, thanked Kenneth Taylor for his presentation and **RESOLVED** to note the report.

7. **Brent Pension Fund - Annual Report and Accounts 2023/24**

Fatima Elgamri (Finance Graduate Trainee) introduced the report, presenting the Pension Fund Annual Report and Accounts for the year ending 31 March 2024. At the time of the meeting, the Sub Committee was advised that the audit fieldwork was substantially complete, with the auditors now working on completing their closing procedures and final reviews in order to enable audit sign off by the Audit and Standards Advisory Committee.

Members were advised that the accounts had been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) governing the preparation of the 2023-24 financial statements for Local Government Pension Scheme funds with the aim of providing a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2024. The main items of note were identified as follows:

- During 2023/24, the value of the Pension Fund's investments had increased to £1,259m (2022-23 £1,116m). This had largely been driven by an increase in value of global equities following a shift in rate expectations, coupled with lower-than-expected inflation figures.
- Total contributions received from employers and employees were £69m for the year, an increase on the previous year's £68m.
- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £52m, an increase on the previous year's £48m.
- As in 2022/23, the pension fund remained in a positive cash-flow position as contributions exceeded outgoings to members.

In terms of the draft Pension Fund Annual Report, members were advised this had been sent to Grant Thornton (External Auditor) for review and would be published on completion of the audit process. The Annual Report included the Fund's Investment Strategy Statement; Pensions Administration Strategy and Funding Strategy Statement.

The Chair thanked Fatima Elgamri for the update provided and then invited members to raise any questions or comments, with queries and responses summarised below:

- In response to further details being sought on progress on completion of the audit process, members were advised that whilst not possible to achieve the initial September deadline efforts were in progress to complete the necessary process during October with no significant or material issues in terms of the Pension Fund Statement of Accounts having been identified to date. It would not, however, be possible to sign off the Pension Fund Accounts until work on the Council's Statement of Accounts had also been completed, which had been subject to delay due to a number of outstanding requests for information that had needed to be addressed. Amanda Healy (Deputy Director of Investment and Infrastructure) assured members that regular meetings with the auditors continue to be held with David Ewart (in his capacity as Chair of the Audit and Standards Advisory Committee) also confirming the efforts being made to complete the audit process as soon as was possible.
- Focussing on the role of Fund Managers in contributing towards any delay in the provision of information relating to the audit process, officers advised that whilst there had been a need to seek further details from some manager's these had not caused any critical delay with this also being reflected in future year's planning.

In thanking the Finance team for their work regarding preparation of the Fund's accounts 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 2023-24 which would be published as set out in paragraph 4.4 of the report.

8. **Local Authority Pension Fund Forum (LAPFF) Engagement Report**

George Patsalides (Finance Analyst, Brent Council) introduced the Local Authority Pension Fund Forum (LAPFF) Engagement Update.

In presenting the update, members were advised that the LAPFF had been established to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds and engage directly with companies in which investments were held in order to affect change, understand views on company behaviour and risks with engagement being member led and designed to advanced corporate responsibility and responsible investment with collaboration having the potential to strengthening the voice of Pension Funds.

In noting the summary of key engagement work undertaken by the LAPFF during Q2 2024 (as detailed in Appendix 1 of the report) the following key areas of activity were highlighted:

- Engagement, as part of the Forum's ongoing work with banks on climate change with three of the largest banks in Canada (who were recognised to be increasing their lending to oil and gas companies) to outline LAPFF's views to the companies in relation to net zero, understand their positions, and assess the prospect for further engagement. This had resulted in a constructive dialogue being established as a means of develop investor expectations from the Forum's perspective.
- Ongoing engagement with water utility firms to address failures in supply infrastructure and concerns regarding pollution linked with the development of environmental objectives within each companies five-year business plan.
- Engagement with the London Stock Exchange to highlight concerns about the weakening of standards relating to new entrants to the London listed companies market given the recent loss of value experienced by certain companies, which had been followed up with representations made to the Chair of the Financial Conduct Authority (FCA) as the UK Listing Authority.

Having reviewed the viability and advantages available through the sustained collective effort and pressure that could be applied through the LAPFF, rather than by single Pension Funds acting individually, members were reminded that Brent's continued membership of the LAPFF had been supported and approved at the previous meeting.

Having thanked George Patsalides for his presentation of the report, the Chair invited members to raise any questions or comments, with queries and responses summarised below:

- In seeking further detail on the level of dialogue and co-ordination between other Local Authority Pension Funds regarding the type of engagement and collective lobbying being prioritised through the LAPFF, members were advised how this was structured and identified through the LAPFF governance and membership arrangements, which included opportunities for the necessary political as well as operational input. In terms of outcomes being achieved as a result, members were referred to the Q2 engagement report which it was felt provided a good example of the LAPFF demonstrating the impact that could be achieved through collective engagement with market leaders with the main focus currently targeted on shared priorities in relation to tackling climate change.

In terms of the ability to collaborate with partners across London on shared priorities outside of climate and environmental factors, officers advised that these were continually monitored and where opportunities identified these were, recognising the need to maintain focus given the complex nature of the process involved, taken forward with the example provided of the recent engagement with the London Stock Exchange.

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

9. **Training Update - Members' Learning and Development**

George Patsalides (Finance Analyst, Brent Council) introduced the report, which provided an update on the provision of the LGPS online learning facility and informed committee members of recent training developments.

In introducing the update, it was noted that members of the Committee had been provided with a training plan (attached as Appendix 3 of the report), with the report detailing progress in completion of the required modules within the agreed timeframe. Members noted the training plan had been adapted to accommodate new members to the Committee whilst also allowing existing members additional time to complete the required training programme, with the current focus on those needing to complete Module 2 and the Sub Committee reminded of the importance in ensuring members possessed the necessary knowledge and skills in relation to their role on the Sub Committee and in overseeing the Pension Fund.

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

- In response to a query regarding substitute members, the Sub Committee were advised of the current focus in ensuring full members of the Committee completed the training programme with capacity limited at this stage to include substitute members.

With no further questions or comments, the Chair thanked George Patsalides for his work in delivering the training plan and the Committee **RESOLVED** to note the plan.

10. **Minutes of the Pension Board**

The Independent Chair of the Pension Board, David Ewart, introduced the minutes from the most recent Board meeting held on 3 September 2024.

As a starting point, David Ewart took the opportunity to remind members of the function and structure of the Pension Board, which he advised was a statutory body established to review the performance of the Pension Fund and was made up of an equal number of employer and member representatives. In comparison, the Pension Fund Sub-Committee's role focused on the investment and management of the Fund, although in practice the two bodies within Brent worked closely together and shared similar views in overseeing governance of the Pension Fund.

In outlining specific issues considered at the Board's last meeting, members were encouraged to review their Annual Report which provided further detail on the key roles undertaken, which included monitoring performance in administration of the Fund to scheme members.

The Chair thanked David Ewart for the update provided, and with no further issues raised, it was **RESOLVED** to note the minutes from the Pension Board held on 3 September 2024.

11. **Any other urgent business**

No items of urgent business were raised for consideration at the meeting.

12. **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.

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. **Low Carbon Index-tracking Global Equity Fund selection**

Sawan Shah (Head of Finance, Pensions) introduced a report detailing the outcome of a market review (as part of the Funds Investment Strategy) of the Funds passive global equities mandate and outlining recommended investment options for consideration based on the analysis provided.

In outlining the potential approaches available, the Sub Committee received a presentation from Kenneth Taylor (Hymans Robertson) on the analysis and due diligence undertaken in assessing investment options and identifying the shortlisted Funds recommended for consideration based on the principles and objectives outlined within Appendix 1 of the report.

In response to the report, members sought clarification in relation to the following issues prior to consideration of the recommended options:

- The opportunities available to increase leverage in relation to ESG issues.
- The level of risk identified in relation to the move towards the new low carbon equity mandate and potential impact of fluctuations within the market
- The responsiveness of the approach outlined in relation to new and emerging green solutions and forward looking metrics.

Having noted the contents of the report and analysis provided by the Fund's Investment Advisor the Sub Committee **RESOLVED** to approve the recommendations as detailed in section 2 of the report.

14. **Investment update**

Sawan Shah (Head of Finance, Pensions) introduced a report updating the Sub Committee in relation to specific investments held by the Fund with individual providers.

In considering the report, members noted and commended the proactive approach taken by the officers and the Fund's Investment Advisors, which it was recognised had been undertaken in order to safeguard the best interests of the Fund.

Prior to consideration of the recommended options, members sought clarification in relation to the investment approach towards use of potential funds and level of risk identified in relation to the Fund's position.

Having considered the report and advice from the Fund's Investment Advisor the Sub Committee **RESOLVED** to approve the recommendations as detailed within section 2 of the report.

15. **London CIV update**

The Board received and **RESOLVED** to note a report that provided an update on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV).

Issues highlighted arising from the update included:

- the value of assets invested directly through the LCIV.
- The change in senior management arrangements within LCIV.
- The development of a dedicated UK residential property fund by London CIV with the purpose of increasing the supply of good quality, affordable housing in the UK and a focus on three strategies within the residential housing sector: general needs affordable and social housing, traditional supported housing and, specialist housing.
- The update on the LCIV Fund Manager Monitoring Framework and progress in the development and launch of new Funds, with members keen to ensure a focus (in recognising the Funds fiduciary duty) around the wider potential to explore opportunities for the delivery of social value as part of maintaining a broad and diversified approach toward the Funds Investment Strategy.

The meeting closed at 7:58pm

COUNCILLOR R JOHNSON
Chair