



**Pension Board**  
July 2018

**Report from the Independent Chair  
of Council's Pensions Board**

For information\*

Wards affected:  
ALL

**Annual report**

**1.0 Summary**

**1.1** This report provides a summary of the work carried out by the Council's Pensions Board. The report covers the period from the Board's meeting in July 2017 to the end of 2017/18 Municipal Year. It presents details of the Board members, training, the programme of work and items covered during the Board's three meetings during the year. It also raises a number of major concerns that the Board wishes to draw to the Council's attention.

**2.0 Recommendation**

**2.1** To note the annual report, and agree to submit it to the General Purposes Committee.

**3.0 Detail**

**3.1** I should like to begin by expressing my thanks to the other members of the Board, and to the Council's officers for all their help and support in developing the work of the Board.

**3.2 The Board Membership**

The membership of the Board during the year was as follows:

- Brent Council employer representatives - Councillors Crane and Kabir
- Trade Union representative – Unison – Bola George
- Trade Union representative – GMB – Euton Stewart
- Employer representative from another employer within the pension fund - Sebastian Steer, Queens Park Community School (who is replacing Angela Cattermole, Finance Officer, of the Ark Academy, who has resigned).
- Pension Scheme member – Trevor Dawson

Independent Chair – David Ewart

### **3.3 The Board's Training**

The Board built on the training it had received in the two training seasons during 2016/17 and 2015/16 with:

- In November 2017 a session provided by the Pension Funds Actuaries' Hymans Robertson LLP, jointly with the Pension Fund Sub Committee on investment risk.
- In February 2018 a Joint LGPS Pension Board and Committee Training session was organised by L. B. Ealing/ Invesco was held which the Chair attended.
- The Chair also attended a Cross Pool Open Forum session organised by the LGA in March 2018.
- Members of the Board were encouraged to complete The Pensions Regulator Public Service toolkit, at least one member having done so at the time of writing this report.

The Board discussed its training needs informally before its March 2018 meeting and agreed some actions to be taken.

### **3.4 The Board's Meetings**

During the year the Board met three times

#### **The July 2017 Meeting**

At the meeting in July 2017, the Board:

- Agreed the Chair's Annual Report outlining the work of the Board for 2016/17
- Considered the draft Annual Report (Pension Fund Annual Accounts) This very full and informative report was considered at some length. The Board particularly noted the historically low funding levels of the Council's fund.
- Quarterly monitoring report on fund activity to March 2017 was noted
- Considered the Outcome of the Triennial Review and again noted the low level of funding but were reassured by the action being taken to address this.
- Considered a confidential report on the Pension Administration service contract extension and future provision.

#### **The November 2017 Meeting**

At the November 2017 meeting, the Board:

- Considered a report on the Implementation of the Markets in Financial Derivatives (MiFID II) and its effect on the Pension Fund's investments.
- Considered an update on the fund's activities for the quarter to June 2017.
- Were updated on the London CIV and the Fund's investments options and an assessment of the asset liability exercise being carried out to identify the fund's liability profile and hence re-assess the investment strategy.
- The Board then considered a very concerning report on the Pension Administration Service which:
  - Updated members on the performance of the service and in particular the issue of annual benefit statements, which at the time shows as at the end of October 1,401 statements to current members and 1,987 statements to deferred members were still to be sent out. There were a number of reasons for this, and it should be noted that 4,265 current member statements had been issued and the performance on deferred members was a 9% improvement on 2017. However, members of the Board were very concerned about this material breach and the need to the Council to self-report to the Pensions Regulator.
  - Members were further informed that there had been a significant engagement with the Pensions Regulator. This had led to the Council submitting a plan to improve the record and data keeping and meet the required level.
  - The report also updated members on progress being made with finding a new pension service administration provider. Including updating on the engagement event held in September.
- The Board also considered a confidential report on the final cessation outcome with regard to a small admitted body.

### **The March 2018 Meeting (rescheduled from February)**

At the March 2018 meeting:

- The Board considered a very concerning report the result of an audit undertaken by the Council's Internal Audit Service into the Council's Pensions Administration arrangements which highlighted a number weaknesses in internal controls, as well as evidence of good working practices. The Board considered an Action Plan submitted by officers and requested to be updated on progress at each meeting until all the matters had been resolved.

- The Board also considered a report updating it on the reconfiguration of functions within the Resource Department which had resulted in the Pensions Administration function being transferred to the Chief Finance Officer.
- The Board considered another concerning report on the requirements of the Pensions Regulator relating to the previously reported breaches of statutory requirements and the significant issues relating to schemes record keeping. The Board was concerned to learn that the Council had to re-submit the Record Keeping Improvement plan. The Board requested an update on the plan and communication with the Pensions Regulator at each of its meeting.
- A final report concerned an update on the transition to the new Pensions Administration provider. The Board were very pleased with the confirmation that
  - A pension service administration provider has been appointed (Local Pensions Partnership (LPP) having been appointed) and that this appointment was not made primarily on cost grounds;
  - That a new Local Government Pensions admin system (Aquila Heywood) had been obtained;
  - An exit/transition meeting between Brent, Capita and LPP had already taken place; and
  - An Implementation plan was in place, was on schedule and was being monitored.

However, the Board resolved to request it be updated on progress at each of its meetings.

- The Board had discussion their Training Needs at the informal meeting ahead of this meeting.

### **3.5 Other Activities**

In addition to the above the Chair of the Board has begun to attend the Employers' Forum, to discuss issues with representatives of the "other" Employers.

### **3.6 Key Issues identified from the Board's discussions during the year.**

As a result of their discussion the Board would like to draw the following matters to the Council's attention.

- **The Fund's funding level**

The Board continued to note with concern The Brent Pension Fund's level of funding, which is still one of the lowest in Local Government. Although, noting the relatively good current performance of the fund's investments, and being re-assured by the Council's commitment, as shown by the contribution rates agreed for the coming period, to bring the level of funding back to full funding over the longer term.

- **The Performance of the Pension Fund Administration Contract**

Although clearly an issue which, to some extent is being superseded by the appointment of the Council's new pension's administration provider, the Board considers it must again draw the Council's attention to the continued poor performance of the current contractor. The Board was particularly concerned at the failure to issue the required Annual Benefit Statements by the deadline of 31<sup>st</sup> August 2017, resulting in the Council having to self-report to the Pensions Regulator for a second year running. The Board is concerned that work undertaken to resolve these issues revealed underlying problems with the member records. (See record keeping below).

- **Record Keeping**

Another matter concerning the Board is the requirement of the Pensions Regulator relating to the breaches of the Statutory Regulations relating to the schemes record keeping. The Board is concerned that the Council had to re submit, a much improved, Record Keeping Improvement plan required by the Pensions Regulator. The Board is encouraged by the work being undertaken to tackle this matter but considers it is a matter that requires to continue to be carefully monitored.

- **The New Pensions Partner**

The Board was very pleased with the progress in the appointment of the pension service administration provider (Local Pensions Partnership (LPP)) and that this appointment was not made solely on cost grounds. The Board was pleased that a new Local Government Pensions admin system (Aquila Heywood) had been obtained. Also that an Implementation plan was in place, was on schedule and was being monitored, at the time it was last reviewed. Although good progress appears to be being made the importance of careful monitoring of the change-over and working with new provider to gain the maximum benefit from this change.

Although the Board is very concerned about these issues they were, to so some degree, reassured that the Council is, as a matter of urgency, taking steps to addressing these matters, a new pension service administration provider has been appointed and additional staffing resources have been committed over the long term to focus on pensions administration.

### **3.7 The Board's work plan**

During the current year the Board will:

- a. Continue to consider the performance on the Council's performance on investments;
- b. To work with Local Pensions Partnership on a revised pensions administration strategy and business plan.
- c. Continue to monitor the progress on
  - a. The performance of the pension administration service;
  - b. The progress on the record keeping plan; and

- c. The transition to the new provider;
- d. Issues arising from the Brent Pension Fund Annual Report:
  - The risk framework (which is to be considered at the July meeting); and
  - The Pension Administration Strategy;
- d. Update on any pension related complaints; and
- e. Consideration of development of the role of the Board.

### **3.8 Conclusion**

I would like to again thank the members of the Board for their input and the Directors of Finance, Head of Finance, and now retired Director of Human Resources and their staff, as well as the Committee staff for all their support to the Board during the year.

David Ewart  
Independent Chair Brent Pensions Board  
July 2018