

	Pensions Board 13 June 2019
	Report from the Independent Chair of the Brent Pensions Board
Annual Report	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	N/A
Background Papers:	
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	David Ewart, Independent Chair of the Pension Board

1.0 Purpose of the Report

- 1.1 This report provides a summary of the work carried out by the Council's Pensions Board. This report covers the period from the Board's meeting in July 2018 to the end of the 2018/19 Municipal Year. It presents details of the Board's members, training and items covered during the Board's three meetings during the year. It also raises a number of items the Board wishes to draw to the Council's attention.

2.0 Recommendation(s)

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

3.0 Detail

Introduction

- 3.1 I should like to begin by expressing my thanks to the other members of the Board, particularly Euton Stewart and Trevor Dawson who are standing down from membership. I should also like to thank the Council's officers for all their hard work, help and support in developing the work of the Board.

The Board Membership

- 3.2 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.
Pension Scheme member – Trevor Dawson
Independent Chair – David Ewart

Training

- 3.3 Training is important to make sure the Pension Board as a whole have the skills, knowledge and understanding to support the Scheme in running properly. The Board built on the training it had received since 2015/16.
- 3.4 Following the May 2018 elections a number of training sessions have been organised for Pension Board members to increase their knowledge and awareness of relevant issues. In May, a bespoke training session was delivered by officers and Hymans to members of the Pension Board and members of the Pensions Sub Committee. Also, at the July meeting of the Pension Board a more in depth training session was delivered on the role of the Pension Board, focussing specifically on governance and the importance of record keeping. At the meeting of March 2019 a training session was developed to focus on other relevant topics, in particular the triennial valuation. Further invites will be sent to Pension Board members when other relevant training, seminars, conferences and networking events are identified.
- 3.5 The Pensions Regulator (TPR) provide a free online learning programme call the Trustee toolkit and they expect all Pension Board members complete these courses. The courses cover the basic knowledge and understanding required by law to support the scheme manager. The courses are free, easy to use and allows one to learn at their own pace. At least three members of the Board have completed this training.

Board Meetings

- 3.6 During the year the Board met three times, on 24th July 2018, 13th December 2018 and 13th March 2019.
- 3.7 As 2018/19 had been a very eventful year, this report will focus on the main issues the Board had been considering, rather than go through each meeting of the Board. This report does not cover the issues considered by the Pensions Committee, other than where the Board felt a need to comment on such an issue.

4.0 Key Issues identified from the Board's discussions during the year

Pensions Administration department transfer

- 4.1 Although a decision taken the year before, the Board were able to see the positive effect of the reconfiguration of functions within the Resource

Directorate which resulted in the Pensions Administration department being transferred to the Chief Finance Officer. By combining the work of the investment function, has resulted in significant service improvements which have been achieved during the year.

Transfer of the Pensions Administration Contract

- 4.2 Although also a decision taken prior to 2018/19, in this case November 2017, when following officers' recommendation, Cabinet granted approval to enter into a shared service agreement with Local Pensions Partnership (LPP) for the provision of the pension fund administration.
- 4.3 The previous contract with Capita was due to end in September 2018 and the implementation phase of the contract with LPP to ensure a successful transition and hand over in October 2018, was in place by the start of 2018/19.
- 4.4 The Board was very pleased to note that the transition to LPP was successful and the service went live on 1 October 2018 as planned. The Board also noted that monthly contract performance meetings have been held, where performance against agreed service level agreements (for example time taken to process joiners, transfers in/out, retirements, deaths, refunds, etc.) have been monitored and it is planned to report these to the Pension Board on a quarterly basis.
- 4.5 In addition to the business as usual (BAU) contract arrangements described above, a separate project has been commissioned to cleanse common and scheme specific (conditional) data. This includes resolving the outstanding queries. This is to be treated as a separate project so that additional dedicated resources can be put in place, to ensure the data issues can be resolved as quickly as possible and to not affect performance against the day to day service.

Risk Management

- 4.6 The Board has also been very pleased to be receiving regular risk management reports, as effective risk management is the foundation of sound corporate governance and for the LGPS the focus should be on all aspects of the scheme's operation, not just investment matters. Having a strategy and register in place is a way for the scheme manager to identify and manage scheme risks and it is considered good practice to have a strategy and register in place alongside established reporting mechanisms.
- 4.7 Using guidance from TPR and CIPFA, together with Brent's internal risk management resources, a process was undertaken by the scheme manager to produce a risk management strategy that was unique to Brent's circumstances. This involved a workshop that identified all of the relevant risks, assessed those risks in terms of likelihood, understanding risk management and contingency planning, monitoring risks and documentation in a register, which was presented to the Pension Board at its July meeting, following which it has been revised and updated and is now reported to each meeting of the Board.

The Pension Administration Strategy

- 4.8 A major item of work undertaken by the scheme manager and repeatedly considered and supported by the Board, was updating of the Pension Administration Strategy, which was agreed in December 2018. This sets out clearly the responsibilities of the scheme manager, employers and other parties. The strategy also sets out a clear set of service level agreements for both the scheme manager and employers.
- 4.9 More controversially, the strategy also introduced the concept of charging for non-compliance of the strategy. Although not welcomed by all employers, it was made clear that this would be a last resort and that this option would only be pursued in exceptional circumstances where performance repeatedly falls short of expectations. The first port of call would always be to engage and educate employers before such action would be considered. The ultimate aim of this strategy is to educate employers to provide accurate and timely data to the Fund which will improve the service provided to scheme members. The new strategy was supported by all members of the Board, including the member representing the other employers.

Annual Benefit Statements

- 4.10 It is a statutory responsibility for the scheme manager to issue an annual benefit statement (ABS) to all eligible active and deferred members by 31 August each year.
- 4.11 In relation to active members, the Board had previously been informed, that the scheme manager has historically had a number of issues with regards to the production of ABS. These issues have included missing data on year-end returns, queries from year-end returns not being resolved on time and not being notified of starters and leavers. This has resulted in the Board judging that the scheme had failed to meet the statutory deadline resulting in the Council having to report itself to the Pension Regulator in both 2016 and 2017.
- 4.12 The Board was informed that in 2018 an annual benefit statement (ABS) was issued to all members identified on the year end returns from employers by the statutory deadline of 31 August 2018 for active members within the scheme. There were a small number of records where either data was missing or queries from year end returns had not been resolved in time. For these members an ABS could not be produced as employers had not been forthcoming with the relevant information. The vast majority of these employers were schools that were closed over the summer months and could not respond to Capita's queries in time for the scheduled print run in mid-August. That said, as part of the project management of the ABS rollout officers were aware of these employers and both Capita and Brent officers have been in contact with the employers pursuing the required information and escalating where appropriate. Despite the non-compliance of some employers, both the number of employers and the volume of outstanding queries has significantly reduced compared to last year.
- 4.13 The Board was also informed that for 2019, the scheme manager has set a deadline of 30 April 2019 for year-end returns to be submitted to LPP to ensure there is sufficient time to resolve any queries and ensure production of ABS in

the required timeframe. As mentioned in section four, a dedicated training session has been arranged to support employers through this process. In addition, the scheme manager and LPP will be closely monitoring this project as part of its monthly performance meetings.

- 4.14 Looking forward, the Board was pleased to note that one of the benefits of transitioning to LPP is that an online portal will be made available for all employers whereby data will be submitted on a monthly basis rather than an annual basis via year end returns. It is expected that this will have a positive impact on not only the production of ABS but also raise the quality of data more generally by allowing easier detection of incorrect or missing data.

Internal Audit follow-up

- 4.15 As had previously been reported to the Pension Board, an internal audit of the pensions' administration service was carried out in 2017, had identified a number of serious issues.
- 4.16 The Board was informed that a follow up audit was carried out in late 2018, had concluded that all of the recommendations were successfully implemented and that the service is no longer a cause for concern. The Board also noted that the scheme manager was pleased with the outcome of this follow up audit and that the issues previously raised have been addressed and measures put in place to ensure they do not re-occur.

The Pensions Regulator (TPR)

- 4.17 The Board at its March meeting received a presentation from representatives of The Pension Regulator (TPR). The presentation focussed on the TPR's expectations on the responsibilities of the Pension Board and Scheme Manager, TPR engagement with LGPS Brent and its (TPR) future work.
- 4.18 Board members heard that we were expected to have knowledge and understanding of scheme rules, administration and policies in addition to avoiding conflicts of interest, publishing information and recording of meetings and decisions. Members were pleased to note that the Brent Pension Fund had made significant progress in respect of record keeping, risk management, contract management and various other governance related activities.
- 4.19 The Pensions Board had previously been informed that TPR had written to the scheme manager in August 2018, informing them that they will be conducting in depth engagement to discuss governance and administration of the scheme.
- 4.20 The Board was also informed that TPR would be focusing on Local Government Pension Schemes because their recent public service governance and administration survey found that some of the improvements the schemes had been making have stalled and they would like to explore this further. The aim of this engagement was to get a wider understanding of the scheme in more depth and ask a range of questions in relation to the scheme's wider governance and administration. The aim was not to seek out breaches of the law, however if they became aware of areas of concern

they will investigate further to consider whether regulatory action would be appropriate.

- 4.21 At the date of last meeting of the Board, five meetings had been held between the Scheme Manager and TPR officers, and a wrap up meeting was planned to be held at the end of March 2019.
- 4.22 At that point, detailed feedback on various topics had been received from four of the meetings and as a result the scheme manager has agreed to a number of actions with regards to improving the governance of the scheme. Some of these actions include:
- Preparing and implementing a policy on reviewing member data;
 - Preparing and implementing an improved Members Communication Strategy, which will be published online by the end of March 2019 and is intended to replace the existing Communications Strategy in the Pension Fund Annual Report;
 - Implementing a log to record day-do-day decisions which are taken between Pension Board Meetings;
 - An updated training plan for the Pensions Board;
 - An improved website with better access to information and clearer links including IDRP guidance now being available.
- 4.23 Please note that following the March meeting of the Board TPR had written to the Scheme Manager confirming they were satisfied with the information that had been provided to them and that had closed their enquiries and would not be taking any action further action.

Other Matters Considered

- 4.24 The Board considered a number of other issues apart from the above and reviewing the reports to the Brent Pension Fund Sub Committee (including the new investment strategy and responsible investment policy), the key items included:
- The 2017/18 Annual Accounts and Annual Report;
 - The Record Keeping Plan;
 - Various updates on the LGPS regulations and guidance; and
 - The revised Terms of Reference.

5.0 Matters to be drawn to Council's attention.

- 5.1 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. That said, it is important to note the good current performance of the fund's investments particularly in 2018/19, as well as note the Council's commitment, as shown by the contribution rates agreed up to March 2020, to bring the level of funding back to full funding over a period of 17 years (19 years from 2017).

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

Clearly there has been major progress with improving the performance of the administrative function, following the transfer of the pension administration team to Finance, the transfer of the pension administration contract to the Local Pensions Partnership (LPP), the input by The Pensions Regulator (TPR) and other actions that have or are being taken. That being said, there is a need to continue and build on the work undertaken to date to seek further improvements with regards to the quality of member data, engagement with employers and the general governance and administration of the scheme. The Pension Board will of course have a fundamental role to play in this regard

- 5.2 I would like end by again thanking the members of the Board for their input and assistance during the year and particularly those who are standing down. I would also like to thank the Head of Finance and their staff for all their help and support during the year, as well as the Governance Office and his colleagues for all their support to the Board work during the year.

6.0 Financial Implications

- 6.1 There are no specific financial implications associated with noting this report.

7.0 Legal Implications

- 7.1 None arising directly from this report

8.0 Equality Implications

- 8.1 None arising directly from this report

9.0 Consultation with Ward Members and Stakeholders

- 9.1 Not applicable for this report.

10.0 Human Resources/Property Implications (if appropriate)

- 10.1 None arising directly from this report