



MINUTES OF THE PENSION BOARD

Tuesday 22 October 2019 at 6.00 pm

PRESENT: Mr Ewart (Chair) and Councillor Crane, Councillor Kabir, Ms George and Mr Wheeler

1. **Apologies for absence**

Received from Mr Chris Bala.

2. **Declarations of interests**

None declared.

3. **Minutes of the previous meeting - 13 June 2019**

RESOLVED:

That the minutes of the last meeting held on 13th June 2019 be approved as an accurate record.

4. **Matters arising**

None.

5. **Pensions Administration Update**

This report updated the Pensions Board on various pensions' administration matters as part of its remit to oversee the administration of the Brent Pension Fund. The report also reviewed the performance of the LPP contract against agreed Service Level Agreements (SLA's) during September 2019. Mr Ravinder Jassar (Head of Finance) introduced the report and drew Members' attention to the tables within the report, which showed contract statistics for cases that had been processed, grouped by category and progress by month in the last 6 months.

He continued that the amount of cases carried forward had improved significantly since April, a reflection of all the backlog of cases inherited from the previous administration provider which were being actioned or reviewed by LPP. Members heard that a total of 9 complaints were outstanding in April, 7 of which had been resolved since. He added that complaints were being dealt with as swiftly as possible with lessons learnt from them and processes and procedures updated accordingly.

Mr Jassar gave an update on Annual Benefit Statements (ABS), a statutory responsibility for the scheme manager to issue to all eligible active and deferred members by 31 August each year. By the deadline date, there were a small number of records where queries from year end returns had not been resolved in

time and for those members, an ABS could not be produced as employers had not been forthcoming with the relevant information. The vast majority of those employers were schools that were closed over the summer months and could not respond to LPP's queries in a timely manner. He further updated that 34% of the outstanding queries had been resolved and ABS issued to members and it was expected that all queries would have been resolved by the end of March 2020. Progress was being regularly monitored and tracked as part of the monthly contract management and performance meetings with LPP.

In respect of data cleansing, a separate project commissioned to review, cleanse and fix any errors identified in member data, Members heard that phase 1 of the project was completed ahead of the 2019 triennial valuation. Mr Jassar drew Members' attention to appendix 3 of the report, which provided a status update for all work streams at the completion of phase 1 and added that officers would work closely with the Hymans Roberts (Investment Adviser) on the second phase of the project.

In the discussions that followed, Members expressed a preference to scrutinise the complaints about the service and with that in view, requested a further report on complaints to the next meeting. It was also suggested that in order to improve smaller employers' submissions for the purposes of ABS, consideration should be given to engagement with CVS Brent.

RESOLVED:

- i) That the pensions administration update be noted;
- ii) that a report on complaints on the service be submitted to the next meeting of the Board.

6. **LGPS Update**

This report updated the Board on recent developments within the LGPS regulatory environment and recent consultations issued by the Ministry of Housing, Communities and Local Government. Mr Sawan Shah (Senior Finance Analyst) introduced the report and informed Members that the HM Treasury (HMT) launched a consultation on draft regulations, guidance and directions to implement the exit payment cap which was set at £95,000. He drew Members' attention to the Local Government Association (LGA) response paper, appended to the report, which raised concerns on the feasibility and consequences of implementing the Policy in the manner set out in HM Treasury's Consultation Document.

Mr Shah then gave an update on the McCloud case; transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015. Members heard that on 14 May 2019, the scheme advisory board (SAB) published an advice note covering the implications of McCloud/Cost Cap in relation to the 2019 fund valuations. He then outlined the key points from the Advice Note and added that the Fund Actuary had produced a summary regarding the various approaches in which the McCloud risk can be managed. Given that no remedy had been agreed by 31st August 2019, it would leave Funds to consider locally, how best to manage the uncertainty and risk.

In respect of Governance, Mr Shah informed Members that the Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS Governance Models and to consider alternatives and enhancements to existing models which can strengthen LGPS Governance, going forwards. Hymans Robertson undertook a process of engaging extensively with stakeholder groups and fund types to consider four governance models, each of which would be assessed against set criteria. The results found that there was a majority preference in adopting a governance model which combined improved practice with greater ring fencing of the LGPS within existing structures. In addition to this, the results found that there was a preference for clearer ring-fencing of Pension Fund management from the host authority, including budgets, resourcing and pay policies.

Following the analysis of these results, Hymans Robertson proposed that an outcome based approach to LGPS governance, with minimum standards, should be adopted rather than a prescribed governance model. In addition to this, Hymans Robertson proposed updating of relevant guidance and training requirements. Following the approval of the good governance report, the Scheme Advisory Board (SAB) has asked Hymans Robertson to assist with the next stage of this project which will involve the defining of good governance outcomes and options for assessment of these outcomes. Further details of the results and analysis undertaken by Hymans Robertson were set out in Appendix 3 to the report. Overall the Fund supported these recommendations, in particular, clearly clarifying the standards expected in areas of governance and administration.

Members welcomed the report and RESOLVED:

That the report on the recent developments in the LGPS be noted.

7. Brent Risk Register 2019

This report presented the updated Risk Register for the Brent Pension Fund Pensions Administration Service. Mr Saagar Raithatha (Finance Analyst) in introducing the report stated that having a strategy and register in place enabled the scheme manager to identify and manage scheme risks alongside established reporting mechanisms. He added that key elements of the strategy were discussed at a recent working party set up with the scheme manager, administrator and select employers for feedback and comment. The Register and the Risk were attached to this report in Appendices 1 and 2, respectively.

Mr Raithatha drew Members' attention to a new risk that had been added relating to the McCloud judgement which would potentially increase pension fund liabilities.

In welcoming the report, the Chair thanked officers for producing a comprehensive and better formatted register and RESOLVED:

That the Brent Risk Register 2019 be noted.

8. The Pensions Regulator (TPR)

This report presented the outcome of The Pensions Regulator's (TPR) engagement sessions with Local Authorities. Mr Ravinder Jassar (Head of Finance) informed the

Board that the sessions were started as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this. The reviews and meetings with TPR, based on the Code of Practice 14: Governance and administration of public service pension schemes, covered various risk areas including the following:

Administration, data and communication
Internal controls and complaint handling
Contributions, employer compliance and funding affordability
Pension Board knowledge and understanding, relationship between Board and Scheme manager and conflicts of interest
Fraud, mitigation of scams and cyber security

The meetings gave TPR a strong insight into current governance and administration practice and standards of LGPS funds as a result of which a number of recommendations were made across each element. He drew Members' attention to the key points as set out within the report and added that the recommendations made by TPR were agreed. He continued that the cyber security policy including penetration testing had been submitted to TPR. In response to Members' request, Mr Jassar undertook to re-send the link to the TPR on-line pensions training.

In welcoming the report, members RESOLVED:

That the outcome of the Pension Regulator's engagement sessions be noted.

9. Brent Pension Fund's approach to Responsible Investment and Environmental, Social and Governance issues

This report set out the Fund's proposed approach to further integrating Environmental, Social and Governance (ESG) considerations into its strategic decision making, in particular how the Fund intended to take in the short and medium term to manage the risk of climate change. Mr Ravinder Jassar introduced the report and highlighted that the Brent Pension Fund Committee took Responsible Investment ("RI") seriously, aware that ESG factors can influence the Fund's ability to achieve long term sustainable returns. The Fund's RI commitment is reflected in the Fund's Investment Strategy Statement.

He continued that ESG criteria of its existing investments were assessed on an ongoing basis, including regular interaction and challenge of the Fund's investment managers (including the Fund's asset pool, London CIV). ESG also remained a key consideration when assessing the relative merits of any potential new Fund investments, in addition to ongoing education programme to increase overall knowledge.

The Fund's policy on RI is informed by its fiduciary duty to its members and employers, rather than by purely ethical considerations. Accordingly, the Fund did not disinvest from companies for purely non-financial reasons, not least because this could lead to legal challenge. He outlined different climate related scenarios which Hymans, the Fund's actuary and investment advisors, would model to help funds explore any challenging questions. To that end, it was proposed to undertake a carbon footprint exercise for the Fund in order to improve its understanding of the Fund's holdings. Officers would work with our investment

advisors, Hymans, to scope out this project further and report back to the committee. Following this, recommendations on the measurement of and actions related to carbon emissions would then be presented to the committee for approval. Mr Jassar then referenced collaboration with other investors and groups including the Local Authority Pension Fund Forum (LAPFF) which had the potential to help influence and improve market best practice standards, as well as strengthening the voice of pension funds.

Members welcomed the report and RESOLVED:

- (i) To note the overall report with regards to position on responsible investment and climate change;
- (ii) To note the further work proposed with regards to scenario analysis, carbon footprint analysis and consideration of alternative index-tracking funds.

10. Investment Monitoring report on Fund Activity for Q2, 2019

This report updated members on the Fund's activity for quarter 2, 2019. Mr Ravinder Jassar (Head of Finance) introduced the report and informed Members that the Fund returned ahead of benchmark in the Q2 2019, continuing the strong start to 2019 and over the quarter the fund grew from just over £856m to almost £897m. He anticipated an increasing trend in Q3 which will be reported to the next meeting. Mr Jassar clarified manager ratings and provided business updates as set out in the report.

Members welcomed the report which had been presented to Brent Pension Fund Sub-Committee and RESOLVED:

That the investment monitoring report for Q2 be noted.

11. Brent Pension Fund: Annual Report and Accounts 2018/19

This report presented the draft Pension Fund Annual Report and audited Annual Accounts for the year ended 31 March 2019. Mr Sawan Shah (Senior Finance Analyst) informed Members that there had been no major changes to the audited Annual Accounts since the submission of the Draft Annual Accounts to the Sub-Committee. He continued that only minor amendments and additional clarifications were made to the draft accounts by Grant Thornton (Council's auditors) and signed off. He highlighted the following main items:

The value of the Fund's investments increased from £831.1m to £856.4m and total contributions received from employers and employees totalled £52.1m for the year, an increase on the previous year's £49.9m. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, totalled £45.9m, an increase on the previous year's £38.9m. He added that as in 2017/18, the Fund was in a positive cash-flow position because its contributions exceed its outgoings to members.

Members welcomed the report which had been presented to Brent Pension Fund Sub-Committee and RESOLVED:

That the Annual report and accounts for 2018/19 be noted.

12. Review of Fund benchmarks and performance targets

The purpose of this report was to review the Fund's investment benchmarks and performance targets at an individual asset class level. Mr Sagar Raithatha (Finance Analyst) explained that The Fund required benchmarks so that 'gaps' or problems with performance can be identified and performance improvements can be achieved through investigating causes and identifying the best solutions. He drew Members' attention to the recommendations to the Fund's benchmarks and performance targets (attached at appendix 1). Mr Raithatha added that at an individual asset class level, it was proposed to adopt new benchmarks and performance targets set against Capital Dynamics Private Equity, Baillie Gifford Multi Asset, Ruffer Multi Asset, Alinda Infrastructure, Capital Dynamics Infrastructure and LCIV CQS Multi Credit.

In noting that the changes would be incorporated in the next quarterly reporting of Fund activity, Members RESOLVED:

That the proposed changes to the Funds investment benchmarks and performance targets be noted.

13. Equitable Life Proposal

The report outlined proposed changes to the Equitable Life, a legacy Additional Voluntary Contributions (AVC) provider for the Brent Pension Fund. Mr Sawan Shah (Senior Finance Analyst) explained that AVCs were potentially a tax efficient way to save money for retirement in addition to the main Local Government Pension Scheme, allowing members to retire early or with a higher pension. He clarified that the scheme, provided by Equitable Life, affected about 25 members only and was not part of the assets of Brent Pension Fund.

Members welcomed the report which had been presented to Brent Pension Fund Sub-Committee and RESOLVED:

The Equitable Life proposal as set out within the report be noted.

14. Date of next meeting

It was noted that the next meeting will be held on 25th March 2020.

15. Any other urgent business

Appointment of Employer Representative.

Mr Ravinder Jassar informed the Board that the process for the appointment of Employer representative on the Board to replace Mr Steer had begun. He added that in order to generate greater interest in the appointment, he would give a short presentation at the next meeting of Employers' Forum.

16. Exclusion of Press and Public

RESOLVED:

That the press and public be excluded from the consideration of the following reports as they contain the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely:

"Information relating to the financial or business affairs of any particular person (including the authority holding that information)"

17. London CIV Update

The purpose of this report was to update the Board on recent developments within the London CIV (LCIV). Mr Sawan Shah (Senior Finance Analyst) provided updates on personnel at the LCIV and the confirmation of the appointment of J.P. Morgan as the new sub-fund manager of the LCIV Emerging Market Equity Fund, subject to the completion of the Investment Management Agreement (IMA). Members also received updates on multi asset credit fund and infrastructure fund and noted that the proposal submitted by the LCIV in August 2019 for the Infrastructure Fund had been granted permission. He referenced MiFID II which reclassified local authorities from professional to retail client status. Members heard that the Fund submitted its application to opt-up to professional client status for alternative asset classes and that the London CIV had confirmed its approval.

In welcoming the update, Members RESOLVED:

- i) That the recent developments with the London CIV be noted;
- i) That the transition arrangements relating to the LCIV Emerging markets fund be noted.

18. 2019 Triennial Valuation

The purpose of this report was to update members on the progress of the 2019 Triennial Valuation and the next steps. The report had been presented to Brent Pension Fund Sub-Committee meeting at which Members approved the draft FSS (Funding Strategy Statement) for consultation with employers. Mr Ravinder Jassar (Head of Finance) drew Members' attention to the draft FSS attached as appendix 1 to the report and the key changes since the last valuation in 2016. He continued that following consultation with other employers within the Fund, an updated report would be submitted to the Sub-Committee and the Board.

Members welcomed the report which was first presented to the Sub-Committee meeting and RESOLVED:

- i) That the progress on the triennial valuation be noted;
- ii) that the Whole Fund results be noted;
- iii) that the current draft of the Funding Strategy Statement (FSS) be noted;
- iv) to note that the draft FSS will be consulted with employers, as required by LGPS Regulations, and reported to the next meeting in 2020 for formal ratification.

The meeting closed at 8.00 pm

MR. D EWART
Chair