



## **Brent Pension Fund**

# **Annual Report and Accounts 2019/20**

Pensions Regulator Scheme Number: 10272080

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## 1. Chairman's Foreword

It is my pleasure to present the Annual Report and Accounts of the Brent Pension Fund for 2019/20.

The Fund has 7,073 contributors, 6,986 pensioners and 7,910 deferred pensioners.

The scheme is administered locally and is a valuable part of the pay and reward package for employees working in Brent Council or working for other employers in the Borough participating in the scheme.

During 2019/20, the value of the Pension Fund's investments has decreased to £835m (2018/19 £856m). This is due to the poor performance of equity markets in the final quarter of the year related to COVID-19. At the end of December 2019, investments were valued at £935m.

Total contributions received from employers and employees was £60m for the year, an increase from the previous year. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, was £48m, an increase on the previous year's £46m. As in 2018/19, the Pension Fund is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

The Brent Pension Fund is revalued every three years by an independent actuary. The Pension Fund had its most recent Triennial Review in 2019. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. It was agreed in this valuation that the employer contribution rate would remain stable at 35% for the next 3 years. This is consistent with the Fund's deficit recovery plan to clear its deficit within 19 years of the balance sheet date. This Triennial Valuation revealed that the Fund's assets, at 31 March 2019, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This is a significant increase on the 55% funding level as at the March 2016 valuation.

In conclusion, I would like to extend my thanks and appreciation to all members of the Pension Fund Sub-Committee and officers for their continued input to the strong governance and management arrangements of the Fund.

**Cllr Shafique Choudhary**  
**Chairman, Brent Pension Fund Sub-Committee**

## 2. Management and Financial Performance

### a. Scheme management and advisors

<b>Administering Authority:</b>	Brent Council Civic Centre Engineers Way Wembley Middlesex HA9 0FJ
<b>Brent Pension Fund Officers:</b>	Minesh Patel, Director of Finance Ravinder Jassar, Head of Finance Sawan Shah, Senior Finance Analyst Saagar Raithatha, Finance Analyst Kastur Varsani, Assistant Accountant
<b>Legal Advisers:</b>	In-house
<b>Custodian:</b>	Northern Trust
<b>Actuary:</b>	Hymans Robertson
<b>Financial Adviser:</b>	William Marshall - Hymans Robertson LLP
<b>Fund Managers:</b>	Legal & General Capital Dynamics London CIV LCIV – Baillie Gifford LCIV – CQS LCIV – Henderson/JP Morgan* LCIV – Stepstone LCIV –Ruffer Aviva Alinda Blackrock * Manager changed from Henderson to JP Morgan in 2019/20.
<b>Banker:</b>	NatWest
<b>Auditor:</b>	Grant Thornton
<b>Performance Measurement:</b>	Northern Trust
<b>AVC Providers:</b>	Prudential Clerical Medical Equitable Life (legacy only)

## **The Local Government Pension Scheme**

The Government Pension Scheme (LGPS) is a statutory pension scheme.

This means that it is very secure as its benefits are defined and set out in law.

Under regulation 34 of The Local Government Pension Scheme (Administration) Regulations 2008 No.239, all LGPS funds are required to publish an Annual Report.

This document is the Annual Report and Accounts of the Brent Pension Fund for 2019/20

### **The LGPS in brief**

- The LGPS is one of the largest public sector pension schemes in the UK, with 5.9 million members.
- It is a nationwide pension scheme for people working in local government or for other types of employer participating in the scheme.
- The LGPS is administered locally by 90 regional pension funds – one of which is the Brent Pension Fund.
- It is a funded scheme, which means that Fund income and assets are invested to meet future pension fund commitments.
- Benefits are defined and related to members' salaries, so they are not dependant on investment performance. Ultimately the local authority and local taxpayers are the final guarantors.
- The scheme is regulated by Parliament.

## **Governance**

### **Governance Statement**

The Brent Pension Fund publishes a Governance Statement each year. The latest version of this document is at page 28.

The Governance Statement reflects the Fund's commitment to transparency and engagement with employers and scheme members.

We monitor, review and consult where appropriate to ensure that our governance arrangements continue to be effective and relevant.

### **Administering Authority**

Brent Council is the Administering Authority of the Brent Pension Fund and administers the LGPS on behalf of its participating employers.

- Brent Council has delegated its pensions functions to the Pension Fund Sub-Committee
- Brent Council has delegated responsibility for the administration and financial accounting of the Fund to the Director of Finance
- This report supports Brent Council's Annual Governance Statement, which is published at page 28.

### **Governance Compliance**

The Brent Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) Regulation 31.

The full compliance statement is at page 30.

### **Pension Fund Sub-Committee**

The Pension Fund Sub-Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pension Fund Sub-Committee meets quarterly to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisers
- Ensure that arrangements are in place for consultation with stakeholders as necessary.

## **Pension Fund Sub-Committee Membership as at 31 March 2020**

**Chair:** Cllr S Choudhary

**Other Members:** Cllr A Aden  
Cllr M Daly  
Cllr M Maurice  
Cllr K Perrin  
Cllr T Stephens

**Employee representatives:** Elizabeth Bankhole (UNISON)

**Other attendees:** Minesh Patel, Director of Finance  
Ravinder Jassar, Head of Finance  
William Marshall, Financial Adviser

## **Pension Fund Sub-Committee Training**

Training is business driven, therefore the programme is flexible. This allows us to effectively align training with operational needs and current agenda items, helping to support Member decision making.

Member training is supplemented by attendance at investment conferences and other associated events.

## **Conflict of Interests**

There is a standing agenda item at each Pension Fund Sub-Committee meeting for Members to declare any personal or prejudicial interests.

## **Accountability and Transparency**

Pension Fund Sub-Committee agendas, reports and minutes are published on the Brent Council website at [www.brent.gov.uk](http://www.brent.gov.uk).

## b. Risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The Fund looks to achieve this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Pension Fund manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee.

Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

The Brent Pension Fund maintains a Risk Register which is reviewed and reported to every Pension Board meeting. Risks are rated on a "traffic light system" and are monitored on a regular basis for review. Controls are documented and further actions identified where necessary. The Brent Pension Fund Risk Register can be found on the Brent Pensions Board website - <http://democracy.brent.gov.uk/mgCommitteeDetails.aspx?ID=472>.

This Risk Management Programme in place ensures that key risks are identified and that mitigating actions are taken to control these Risks. Appendix C as part of the Funding Strategy Statement notes each Objective Area in which these Risks are summarized and the mitigating actions being taken to control them.

### **Third Party Risks**

Third party risks such as payments of contributions are robustly monitored, as laid out in the Pensions Administration Strategy. The receipt and calculation of employer pension contributions is monitored monthly. Employers are required to complete a return, which reconciles to the pension payment and verifies the calculation of both employee and employer contributions.

The Council has also outsourced the following functions of the Fund:

- Custodianship of assets.
- Pensions administration in coordination with the Brent pensions administration team who monitors and manages the Fund's contractor for pension administration services, Local Pensions Partnership (LPP).

As these functions are outsourced, the Council is exposed to Third Party Risk. A range of investment managers are used to diversify risk. To mitigate the risks regarding custodianship of assets, assurance over third party operations is sought by requesting relevant documentation, such as AAF 01/06 and ISAE3402 assurance reports on the internal controls of these service organisations. Any weaknesses in controls are reviewed and reported as necessary to the Pension Fund Sub-Committee.



Fund Manager	Type of Assurance	Control Framework	Compliance with Control	Reporting Accountant
Alinda	ISAE4302	Reasonable assurance	Reasonable assurance	Deloitte LLP
Aviva	ISAE4302	Reasonable assurance	Reasonable assurance	PwC LLP
BlackRock	ISAE4302	Reasonable assurance	Reasonable assurance	Deloitte LLP
Capital Dynamics	ISAE4302	Reasonable assurance	Reasonable assurance	PwC LLP
London CIV	ISAE4302	Reasonable assurance	Reasonable assurance	PwC LLP
LGIM	ISAE4302	Reasonable assurance	Reasonable assurance	KPMG LLP

An on-going framework of inspection and review by the Fund's internal auditors (PwC) and external auditors (Grant Thornton) supports and assists with the management of risks.

During 2019/20, internal audit undertook a review of the Council's arrangements in regards to current investments, strategic asset allocation and compliance with MHCLG regulations. This review aimed to provide assurance over the following sub-processes and control objectives. The audit focused on key controls in place in relation to the sub-processes listed below, to mitigate the potential risks:

- Governance;
- Governance compliance statement;
- Risk management;
- Investments;
- Monitoring;
- Environmental, social and governance factors;
- Independent Advisor, and
- Pension Fund
- Policies.

All the scope areas were examined during the audit and no high level risk areas were reported. In addition, internal audit has identified a number of examples of good practice. 2 medium risk and 2 low risk recommendations were reported. Any risks identified were agreed between internal audit and management and actions are being undertaken to ensure that the recommendations are implemented and are operating effectively.

### Other Investment Risk

Brent Pension Fund constantly monitors risk at all levels. In investment, risk is defined as the permanent loss of capital. Risks are assessed at market level, and also at the fund manager level. Fund managers may employ a range of measures to mitigate risk, wherever possible. This may range from a process which avoids overpaying for an asset, or fund manager's risk committees and investment committees, which meet regularly to review and challenge the fund manager's approach and assumptions. Fund managers must contend with the potential mispricing of risk, caused by the hunger for yield.

The Pension Fund employs an Investment Advisor, Hymans Robertson to assist and advise the Pensions Sub Committee. Investment performance is reviewed by the committee every quarter.

Brent Pension Fund monitors the fund managers at least every quarter, when they report their performance. At this stage, it is not just the net returns which are studied, but also the attribution, i.e. the way in which the returns were achieved. The returns should be measured against the expected returns given prevailing market conditions and the investment process, in order to ensure that the fund manager is not tending towards "investment drift" or "style drift". Particular attention is paid to the actions taken by funds when market conditions change.

Pension Fund Officers ensure that all tasks carried out are compliant with best practise as detailed in the Statement of Investment Principles. This is in order to mitigate any governance risk (such as acting *ultra vires*).

Pension Fund Officers document meetings with fund managers, and report back to the Pension Fund Sub-Committee on a quarterly basis.

The key risks and controls in place to mitigate investment risks are included in the Funding Strategy Statement.

## c. Financial performance

### Financial Summary

Income and expenditure of the fund over the past four years is shown below. This shows that a net increase in the Fund's market value of £163m over the period. This is mostly attributable to the change on market value of £171m over the period. During 2019/20, the Fund value decreased by £26m. This is primarily due to the poor performance of equity markets in the final quarter of the year related to COVID-19. A detailed analysis of the Fund's financial performance, including the movement in non-investment assets and liabilities, can be found in the statement of accounts at page 33 of this report.

<b>Financial Summary</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	£m	£m	£m	£m
Contributions receivable	(51.0)	(53.5)	(54.9)	(65.2)
Benefits payable	44.7	75.0	47.7	54.2
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(6.3)</b>	<b>21.5</b>	<b>(7.2)</b>	<b>(11.1)</b>
Management expenses	3.9	4.3	6.8	3.8
Net of investment income and taxes on income	(4.1)	(0.9)	(1.4)	(1.2)
Change in market value	(121.2)	(22.4)	(61.7)	34.1
<b>Net (increase)/decrease in Fund Value</b>	<b>(127.7)</b>	<b>2.5</b>	<b>(63.5)</b>	<b>25.6</b>

### Analysis of Dealings with Scheme Members

As shown in the table below, net contributions from members has been mainly positive over the past four years. The large outflow in 2017/18 related to the transfer out of the College of North West London from the Fund. Employer contributions have risen due to an increase in the main employer contribution rate and pension stain income. Transfers in increased due to more new members choosing to transfer in benefits. Transfers out also increased reflecting more members electing to transfer their benefits to their new employer.

<b>Analysis of Dealings with Scheme Members</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	£m	£m	£m	£m
<b>Contributions receivable</b>				
Members	(8.3)	(8.1)	(9.2)	(8.5)
Employers	(40.3)	(41.8)	(42.9)	(51.5)
Transfers In	(2.4)	(3.6)	(2.8)	(5.2)
<b>Total</b>	<b>(51.0)</b>	<b>(53.5)</b>	<b>(54.9)</b>	<b>(65.2)</b>
<b>Benefits payable</b>				
Pensions	33.0	34.4	37.7	38.6
Lump sum retirement and death benefits	7.2	4.5	8.2	9.3
Transfers Out	4.2	35.9	1.7	6.2
Refunds to members leaving service	0.3	0.2	0.1	0.0

<b>Total</b>	<b>44.7</b>	<b>75.0</b>	<b>47.7</b>	<b>54.1</b>
<b>Net Dealings with Members</b>	<b>(6.3)</b>	<b>21.5</b>	<b>(7.2)</b>	<b>(11.1)</b>

### Analysis of Management Expenses

The costs of managing the Pension Fund are split into three areas: Administration expenses, Oversight and Governance costs and Investment management expenses. Administration costs increased in 2018/19 due to the new pensions administration contract and an increased level of data cleanse activity.

<b>Analysis of Management Expenses</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	£m	£m	£m	£m
Administration costs	0.7	0.7	1.2	1.1
Oversight and Governance costs	0.1	0.1	0.2	0.3
Other expenses	0.0	0.0	2.2	0.0
Investment management expenses				
Management fees	2.8	3.4	2.7	2.4
Custody fees	0.1	0.1	0.1	0.0
One-off transaction costs	0.1	0.0	0.4	0.0
<b>Total</b>	<b>3.8</b>	<b>4.3</b>	<b>6.8</b>	<b>3.8</b>

### Contributions

Members of the LGPS pay a contribution rate dependant on the salary band they fall in to. The contribution rate employees pay depends on their salary. The bands and contribution rates for 2019/20 are set out in the table below.

<b>Annual Pensionable Pay</b>	<b>Rate</b>
Up to £14,400	5.5%
£14,401 to £22,500	5.8%
£22,501 to £36,500	6.5%
£36,501 to £46,200	6.8%
£46,201 to £64,600	8.5%
£64,601 to £91,500	9.9%
£91,501 to £107,700	10.5%
£107,701 to £161,500	11.4%
£161,501 or more	12.5%

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. The most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% in 2019/20.

Regulations state that contributions must be paid to the Fund by the 22nd day of the month following deduction. The Fund reserves the right to levy interest on an employer for the late payment of contributions. In 2019/20, this power was not exercised.

### 3. Investment Policy and Performance

#### Introduction

The Administering Authority invests the Fund in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force on the 1st November 2016.

During 2019/20, the following external investment managers managed the Fund's assets:

- Legal & General (UK and overseas equities)
- Capital Dynamics (private equity and infrastructure)
- London CIV
- LCIV Baillie Gifford (diversified growth fund)
- LCIV Ruffer (diversified growth fund)
- LCIV CQS (Multi Asset Credit)
- LCIV Henderson/JP Morgan\* (Emerging Markets)
- LCIV Stepstone (infrastructure)
- Aviva (property)
- Alinda (infrastructure)
- Blackrock (UK Gilts)

The cash balance is deposited with money market funds.

\* Manager changed from Henderson to JP Morgan in 2019/20.

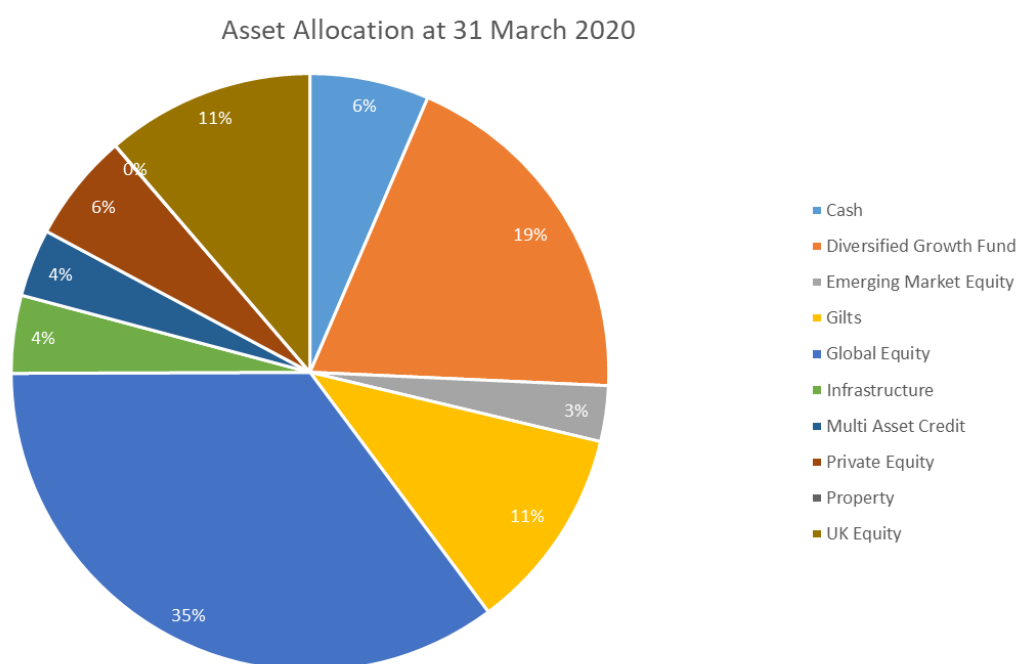
## 2019/20 Investment Results

### Asset Allocation and Fund Performance

The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2020 is shown below:

	<b>Total Fund Return %</b>	<b>Fund Benchmark Return %</b>
1 year	(3.9)	(2.7)
3 years	1.5	2.8
5 years	4.6	5.4

The current asset allocation includes allocations to passive UK and global equities, emerging market equities, diversified growth funds, infrastructure, longer dated gilts and multi-asset credit. The allocations to private equity and property are currently being wound down. A further allocation to infrastructure was agreed in 2018/19 and the fund made its first investment in this mandate in 2019/20. It will be some time before funds are fully invested. The asset allocation as at 31 March 2020 is illustrated by the below chart.



Overall the fund delivered a negative return of 3.9% for the year. Positive returns were achieved in quarters 1 (4.0%), 2 (3.2%) and 3 (0.3%). Returns in quarter 1 were mainly attributable to the increase in the value of Global Equities whilst in quarter 2 UK government bonds performed strongly. Fund performance was held back in quarter 4 where it contracted by 10.7%. This was primary attributable to the global spread of coronavirus and its impact on financial markets. In particular, equities fell significantly through this quarter.

The Fund's holdings by fund manager showing target asset allocation and performance over one, three and five year periods are shown below.

Investment	Asset Class	Planned Asset Allocation (%)	Market value 31 March 2020 (£m)	Allocation at 31 March 2020 (%)	Last Year (%)		Last 3 Years (%)		Last 5 Years (%)	
					Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Equities - L&G	UK Equity	40	94.1	11	-18.5	-18.5	-4.2	-4.2	0.7	0.6
Global Equities - L&G	Global Equity		293.4	35	-4.6	-4.6	3.1	3.1	8.1	8.1
UK Equities - London CIV	UK Equity		0.2	0	n/a	n/a	n/a	n/a	n/a	n/a
LCIV Henderson EM	Emerging Market Equity	5	25.2	3	-16.6	-13.5	-	-	-	-
DGF LCIV Baillie Gifford	Diversified Growth Fund	18	110.8	13	-8.8	3.3	-1.4	3.8	0.9	3.8
DGF LCIV Ruffer	Diversified Growth Fund		50.1	6	3.2	3.3	0.5	3.8	-	-
LCIV Multi Asset Credit	Multi Asset Credit	15	30.6	4	-13.9	4.0	-	-	-	-
Blackrock - Over 15 year GILTS	Gilts		92.6	11	17.7	17.6	-	-	-	-
Property (European) - Aviva	Property	5	0.1	0	3.5	0.0	-28.9	4.9	-13.6	-
Private Equity - Capital Dynamics	Private Equity	5	49.1	6	8.2	-10.4	13.1	1.5	14.4	4.0
Infrastructure - Capital Dynamics	Infrastructure	12	10.1	1	-11.3	4.7	-3.3	6.9	3.9	7.3
Infrastructure - ALINDA	Infrastructure		24.6	3	13.0	4.7	-4.9	6.9	1.1	7.3
Infrastructure - LCIV Stepstone	Infrastructure		0.5	0	-	-	-	-	-	-
Cash	Cash	0	53.9	6	-	-	-	-	-	-
<b>TOTAL</b>		<b>100.0</b>	<b>835.3</b>	<b>100</b>	<b>-3.9</b>	<b>-2.7</b>	<b>1.5</b>	<b>2.8</b>	<b>4.6</b>	<b>5.4</b>

Further analysis and commentary on the investment performance of individual mandates can be found within the Fund's performance monitoring reports that are presented to the Pensions Sub-committee.

It is important to consider the risk framework in which the investment results are achieved. If the Fund takes more risk in its asset allocation decisions, it offers the potential for higher returns but it also increases the uncertainty of the outcome, potentially increasing the chances of a negative downside. The Fund is committed to on-going review of its asset allocation and achieving an appropriate balance between risk and reward. Further information can be found in the Investment Strategy Statement.

### Comparison of investment performance with other LGPS Funds

The Fund's investment performance in comparison to the PIRC Local Authority percentile average for all Local Government Pension Schemes (LGPS) funds nationally is shown below (the PIRC universe consists of 63 LGPS funds):

	Rank	Period ended 31 Mar 20	PIRC Local authority Average
1 year	42	(3.9)	(4.8)
3 years	60	1.5	1.9
5 years	60	4.6	5.2
10 years	88	6.0	6.9

It is important to note that, as a long term investor, investment returns over a longer period of time should be considered. The table below shows the rolling three year performance of the Fund compared to other LGPS funds:

	<b>Rank</b>	<b>Rolling 3 year return</b>
2019/20	42	1.5
2018/19	26	8.5
2017/18	80	6.8
2016/17	75	9.9
2015/16	49	6.5
2014/15	80	10.1

### **Funding Strategy Statement (FSS)**

In accordance with the Local Government Pension Regulations, Brent Pension Fund has a Funding Strategy Statement in place which can be found at page 98.

### **Investment Strategy Statement (ISS)**

The Investment Strategy Statement sets out the policy which determines how the Fund invests its assets. This can be found on page 142 of this document. The Scheme rules require that we publish the ISS that covers our policy on:

- The types of investment to be held
- The balance between different types of investments
- Attitude to risk and approach to its management
- the expected return on investments
- The extent to which social, environmental or ethical considerations are taken into account.



## 4. Asset Pools

In 2015 the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- benefits of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

The Brent Pension Fund joined other London local authorities in creating the London Collective Investment Vehicle (LCIV), the regional pool operator for the capital. The London CIV is now established and has £7.6bn of LGPS assets under management as at 31 March 2020. Additionally, the value of passive assets was £9.1bn with £6.4bn invested with LGIM and £2.7bn managed by Blackrock.

London CIV's annual review for the year ended 31<sup>st</sup> March 2020 can be found at: <https://londonciv.org.uk/wp-content/uploads/2020/07/london-civ-annual-review-2019-20-2786.pdf>

### **Pooled assets**

Overall, the Fund continued to increase the investments it has made through the London CIV. During 2019/20, the Fund made its first investment in the London CIV infrastructure fund. In line with standard industry practice for infrastructure investments, it will be some time before funds are fully invested.

As at 31/03/2020, the Fund had 5 investments with the London CIV: Emerging Market equities (through JP Morgan), Diversified Growth Funds (Baillie Gifford/Ruffer), Multi Asset Credit (CQS) and Infrastructure (Stepstone). Additionally, the Fund's passive equity investments through Legal and General and Gilts through Blackrock are arranged through the London CIV's negotiated mandate where the Fund benefits from lower negotiated fees.

All asset classes except Property, Private Equity, Infrastructure and Cash are managed by the London CIV asset pool. Therefore, the Fund has approximately 84% of its investments held with the regional pool or under the pool's oversight.

The table below shows the pooling status of the Fund's investments grouped by asset class:

	<b>Pooled £m</b>	<b>Non- pooled £m</b>	<b>Total</b>
<b>Asset Class</b>			
Global Equities	318.6		318.6
UK Equities	94.3		94.3
Diversified Growth Fund	160.9		160.9
Fixed Income	123.2		123.2
Property		0.1	0.1
Private Equity		49.1	49.1
Infrastructure	0.5	34.7	35.2
Cash		53.9	53.9
<b>Total</b>	<b>697.5</b>	<b>137.8</b>	<b>835.3</b>
<b>Investment Management Costs</b>	<b>1.2</b>	<b>1.2</b>	<b>2.4</b>

Investment management costs totalled £2.4m in 2019/20 as disclosed in the Pension Fund Accounts. A breakdown of pooled and non-pooled investment management costs for the year is provided in the table above.

### **Pool set-up and ongoing costs**

The table below shows pool setup and on-going costs paid to London CIV during 2019/20 and since inception:

	<b>2019/20 £'000</b>	<b>Cumulative £'000</b>
<b>Set up costs</b>		
Shareholding at cost	0	150
Development Funding Charge	65	205
Annual Service Charge	25	125
<b>Ongoing investment management costs</b>		
Investment management costs*	26	66
<b>Total</b>	<b>116</b>	<b>546</b>

\*Only includes management fees for passive investments arranged through London CIV.

### **Contact Details**

The London CIV can be contacted as follows:

Post: London CIV, Fourth Floor, 22 Lavington Street, London, SE1 0NZ

Telephone: 0208 036 9000

Website: [londonciv.org.uk](http://londonciv.org.uk)

Email: [pensionsCIV@londonciv.org.uk](mailto:pensionsCIV@londonciv.org.uk)

## 5. Scheme Administration

### **The Brent Pensions Team**

The Brent Pensions Team monitors and manages the Fund's contractor for pension administration services, Local Pensions Partnership (LPP). The team is a contact point for employees who wish to join the scheme, for advice on procedures and for queries and complaints.

The Pensions Team is accountable to the Pension Fund Sub-Committee, participating employers and scheme members. The team are fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to delivering excellent customer care.

The team's responsibilities include the following:

- Ensuring the accuracy of pensions records, including the preparation and distribution of the Annual Benefit Statements to all scheme members
- The timely collection of contributions
- Advice and guidance to scheme members
- Advice and guidance to employers
- Early retirement schemes for Fund employers.

### **Operational costs**

The Fund's operational costs are monitored throughout the year by the Fund's management team and reported in the Pension Fund Annual Accounts.

To enable assurances to be obtained as to the effective and efficient operation of the Fund's investments, performance is benchmarked on an annual basis against other local authority pension funds subscribing to the PIRC Local Authority Pension Performance Analytics' Universe of local authority pension funds. Internal controls are also in place to support the reliability and integrity of financial information and the Fund is subject to internal and external audit.

### **Value for Money Statement**

The Brent Pension Fund aims to deliver value for money services to all members and employers within the Fund. In order to demonstrate the efficiency and effectiveness of these services provided, officers in the Brent Pensions Team in coordination with the Fund's Pensions Administration provider, collect data on key service related performance indicators and cost data which is used for comparisons over time and comparisons with other Funds where possible. Alongside performance discussions, regular monthly performance meetings are also held with LPP to discuss key projects taking place throughout the year and updates such as end of year queries, resourcing, reporting and other administration services.

The key data to confirm value for money is set out on the following pages. In summary this data confirms that the Brent Pension Fund continues to deliver a good quality service which meets the expectations of members of the fund. Overall performance over the last 12 months

was 91.33%. That being said, LPP continued to process a large number of outstanding backlog cases, which had transferred from the previous Pensions Administration provider. Since this backlog has been cleared, performance has regularly achieved the agreed service levels, achieving 98%+.

## Summary of Activity

### Performance Indicators

The LPP Pensions Administration Service is measured against key performance indicators that measure compliance, efficiency, and effectiveness of the service.

### Workflow summary

The table below shows a summary of the total top 10 cases received and completed for the year 1 April 2019 to 31 March 2020.

### Staffing

LPP currently has 3.5 FTE working on Brent administration with a ratio of 1 member of staff to 5,642 fund members. The team completed a total of 6,572 cases including other contractual cases outside of the top 10 for the period 1st April 2019 to 31st March 2020 which is an average of 1,878 cases per staff member.

<b>Description – Top 10 Cases</b>	<b>Received</b>	<b>Completed</b>	<b>On Time</b>	<b>On Time %</b>
Joiners	1,479	1,718	1,628	94.76%
Transfer In	278	322	246	76.40%
Transfer Out	416	487	418	85.83%
Estimates - Members	363	393	369	93.89%
Estimates - Employers	119	116	115	99.14%
Retirements	569	599	585	97.66%
Deferred Benefits	712	755	681	90.20%
Refunds	704	822	790	96.11%
Deaths	305	442	316	71.49%
Correspondence	495	575	541	94.09%
<b>Totals</b>	<b>5,440</b>	<b>6,229</b>	<b>5,689</b>	<b>91.33%</b>

### Cases completed

Of the 5,866 cases completed on time 2,836 were completed early as detailed below.

<b>Description – Top 10 cases</b>	<b>1 Day Early</b>	<b>2 Days Early</b>	<b>3 Days Early</b>	<b>4+ Days Early</b>
Joiners	143	42	139	684
Transfer In	42	14	14	53
Transfer Out	69	18	11	81
Estimates - Members	71	24	25	67
Estimates - Employers	18	13	13	11
Retirements	74	27	13	88
Deferred Benefits	103	42	28	174
Refunds	128	49	50	192
Deaths	41	21	6	43
Correspondence	91	25	22	67
<b>Totals</b>	<b>780</b>	<b>275</b>	<b>321</b>	<b>1,460</b>

### III health and employer consents

<b>Reason</b>	<b>Total</b>
III- Health – Tier 1	2
III Health Tier 2	0
III health Tier 3	1
Flexible Retirement	5
Redundancy	24

## Complaints

LPP now have a dedicated complaints team who deal with all complaints. This allows the complaint to be dealt with independently of the administration team and gives consistency when responding to complaints. There was a total of 25 complaints received during the year, broken down by quarter below.

Quarter	Number of complaints
Q1	6
Q2	4
Q3	3
Q4	12
Totals	25

## Dispute resolution procedure

There were 3 Dispute resolutions received during the period 1st April 2019 to 31st March 2020.

Where a member is unsure of their benefit entitlement or has problems with their benefits, the Local Pensions Partnership (LPP) should be contacted. If a member is not satisfied with any decision they have a right to ask for it to be re-examined under the formal complaints procedure, which is officially called 'internal dispute resolution procedure'. The formal complaints procedure has 2 stages and full details can be obtained from the LPP by either phone on 01708 952299 or by writing to Local Pensions Partnership, PO Box 1383, Preston, PR2 0WR.

## Accuracy of data

Each year, following year-end processing, LPP raise queries with Brent employers such as missing joiners, leavers, change of hours and pay queries. In most instances the queries are reducing year on year, however LPP continue to identify any errors and work with employers prior to the queries being created. To this end, feedback has been received from employers and subsequently, LPP have improved templates and literature to ensure the data supplied by Brent employers is accurate and continues to improve the overall data quality position.

## Financial Indicators

### Unit Costs per Member

	2018/19	2019/20
<b>Investment Management Expenses</b>		
<b>Total Costs £'000s</b>	3,171	2,449
<b>Total Membership Numbers</b>	21,354	23,138
<b>Cost per member £</b>	148.50	105.84
<b>Administration Expenses</b>		
<b>Total Costs £'000s</b>	1,156	1,147
<b>Total Membership Numbers</b>	21,354	23,138
<b>Cost per member £</b>	54.14	49.57
<b>Oversight and Governance Costs</b>		
<b>Total Costs £'000s</b>	214	287
<b>Total Membership Numbers</b>	21,354	23,138
<b>Cost per member £</b>	10.02	12.40
<b>Total cost per member £</b>	212.65	167.82

The management fees disclosed above include investment management fees directly incurred by the Fund i.e. including those charged on pooled fund investments which tend to be deducted from the market value of the investments rather than invoiced to the Fund. In addition to these costs, indirect costs are incurred through the bid offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

## Staffing Indicators

The table below shows the number of staff over the last two years in the Pensions Administration Team working exclusively on Local Government pension benefits.

	2018/19	2019/20
<b>Number of full time equivalent staff</b>	8.5	8.8
<b>Total fund membership</b>	21,354	23,138
<b>Number of fund members to one member of administration staff</b>	2,512	2,629

## Other Information

Further information regarding analysis of the Brent Pension Fund's membership data and list of contributing employers to the Fund can be found under the Brent Pension Fund Annual Accounts for 19-20.

A summary of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) has been provided in the appendix to this report.

For information about the Scheme generally, please see the following contact details:

<a href="mailto:pensions@brent.gov.uk">pensions@brent.gov.uk</a>	For non teachers pension enquiries
<a href="mailto:tpensions@brent.gov.uk">tpensions@brent.gov.uk</a>	For teachers pensions enquiries
<a href="mailto:Pension&gt;Returns@brent.gov.uk">Pension&gt;Returns@brent.gov.uk</a>	For all monthly contribution schedules only
<a href="mailto:askpensions@localpensionspartnership.org.uk">askpensions@localpensionspartnership.org.uk</a>	To communicate directly with the LPP



## 6. Actuarial Information

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary. The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2019.

The purpose of this is to establish that the Brent Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates. The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of accrued liabilities.

In summary, the key funding principles are as follows:

- ensure that sufficient resources are available to meet all benefits as they fall due for payment;
- recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- enable employer contributions to be kept as stable as possible and at reasonable cost; and
- maximise the returns from investments within reasonable risk parameters.

The most recent valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £856m, were sufficient to meet 78% of the £1,104m liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £248m.

During 2019/20, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% of pensionable pay. Other employers have different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

A summary of the last triennial valuation report and details of the full version of the actuarial report can be obtained below.

<https://www.brent.gov.uk/your-council/transparency-in-brent/performance-and-spending/budgets-and-finance/pensions/>

## **London Borough of Brent Pension Fund (“the Fund”)**

### **Actuarial Statement for 2019/20**

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### **Description of Funding Policy**

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- To ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- To ensure that employer contribution rates are reasonably stable where appropriate;
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 19 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 19 years.

### **Funding Position as at the last formal funding valuation**

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £856 million, were sufficient to meet 78% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £248 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund’s funding policy as set out in its FSS.

### **Principal Actuarial Assumptions and Method used to value the liabilities**

Full details of the methods and assumptions used are described in the 2019 valuation report.

## Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

<b>Financial assumptions</b>	<b>31 March 2019</b>
Discount rate	4.4%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	23.0 years	25.5 years

\*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

## Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA

14 May 2020

For and on behalf of Hymans Robertson LLP

## 7. Governance

### **Annual Governance Statement**

The Local Government Pension Scheme (Amendment) (No 3) Regulations 2007 require the Fund to maintain a Governance Policy Statement.

The Council, as Administering Authority for the Brent Pension Fund, has delegated responsibility for managing the Fund's investments to its Pension Fund Sub-Committee.

The Pension Fund Sub-Committee oversees the proper administration and management of the Pension Fund. It is responsible for:

- undertaking statutory functions on behalf of the Local Government Pension Scheme and ensuring compliance with legislation and best practice
- determining policy for the investment, funding and administration of the Pension Fund
- considering issues arising and making decisions to secure efficient and effective performance and service delivery
- appointing and monitoring all relevant external service providers:
  - fund managers
  - advisers
  - custodian
  - actuary
  - all other professional services associated with the structure and functions of the Pension Fund
- monitoring performance across all aspects of the service
- ensuring that arrangements are in place for consultation with stakeholders as necessary
- considering the annual statement of Pension Fund accounts
- considering and approving the Pension Fund actuarial valuation.

The Pension Fund Sub-Committee normally meets four times each year. These meetings are used mainly for discussions about the Fund's investment management activities, using reports on strategies and performance prepared by the Director of Finance and considering any views of the investment advisers. The Pension Fund Sub-Committee will also consider reports from the Director of Finance, the investment advisers and other consultants as necessary on a range of issues, for example reviews of the Statement of Investment Principles, training, and proposals for scheme change.

## **Training**

Members of the Pension Fund Sub-Committee and Brent officers have opportunities to attend training courses and seminars on pension fund matters, when necessary and appropriate. The cost of attending is charged to the Pension Fund.

Training is delivered in advance of all committee meetings and to ensure that the sessions are effective, topics are usually arranged in line with agenda items.

Training provided in 2019/20 included:

- Responsible Investment (RI) and ESG
- Introduction to the actuarial valuation
- Valuation: Whole fund results
- Implementation of RI and actions
- Hot topics, Governance Framework and Legal Framework

The Fund plans to conduct a training needs analysis in 2020/21 which sets out the various knowledge and understanding requirements for Committee and Board members and indicates the various methods available to deliver each.

## **Use of advisers**

The Director of Finance and Head of Finance advise the Pension Fund Sub-Committee on all Pension Fund investment and administrative matters.

The Fund's Investment advisor advises the Pension Fund Sub-Committee on investment matters.

The Pension Fund Sub-Committee uses the Fund's actuary, Hymans Robertson, and other consultants as necessary, for advice on matters when in-house expertise is not available. The Pension Fund Sub-Committee takes advice from the actuary, the fund managers or specialist consultants or advisers as required on asset allocation, selecting managers, and investment performance targets.

## **Communications with Fund employers and members**

Each financial year, an annual report on the Fund is prepared for the Fund's employers. The report covers the Fund's accounts, investment arrangements and policy, investment performance, scheme changes and other issues of current interest.

Annual benefit statements are provided to contributors and deferred pensioners, together with an annual newsletter to pensioners.

## Governance Compliance Statement

This statement shows how Brent Council as the Administering Authority of the Brent Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Administration) Regulations 2008.

Ref.	Principles	Compliance and comments
<b>A</b>	<b>Structure</b>	
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Full compliance. Brent Council's constitution sets out the terms of reference for the Pension Fund Sub-Committee.
b.	That representatives of participating LGPS employers, admission bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Full compliance.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No formal secondary committees or panels have been established.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No formal secondary committees or panels have been established.
<b>B</b>	<b>Representation</b>	
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> <li>i) employing authorities (including non-scheme employers, e.g. admission bodies)</li> <li>ii) scheme members (including deferred and pensioner scheme members)</li> <li>iii) where appropriate, independent professional observers, and</li> <li>iv) expert advisers (ad-hoc basis only).</li> </ul>	Full compliance. The Pension Fund Sub-Committee includes a representative of the other employers in the Fund and contributor members.  The Fund's independent adviser attends Pension Fund Sub-Committee meetings. Independent professional observers are not regarded as appropriate.
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
<b>C</b>	<b>Selection and role of lay members</b>	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Full compliance.
<b>D</b>	<b>Voting</b>	
a.	That the individual administering authorities on voting rights are clear and transparent, including	Full compliance. All representatives on the Pension Fund Sub-Committee

Ref.	Principles	Compliance and comments
	the justification for not extending voting rights to each body or group represented on main LGPS committees.	have full voting rights, but the Sub-Committee works by consensus without votes being required.
<b>E</b>	<b>Training/facility time/expenses</b>	
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Full compliance. Full training and facilities are made available to all members of the Pension Fund Sub-Committee.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full compliance.
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Full compliance. A training plan has been prepared for the Pension Fund Sub-Committee and training logs are maintained for all such training undertaken.
<b>F</b>	<b>Meetings (frequency/quorum)</b>	
a.	That an administering authority's main committee or committees meet at least quarterly.	Full compliance. The Pension Fund Sub-Committee meets regularly throughout the year. Additional meetings can be arranged to fit its business needs.
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	No formal secondary committees or panels have been established.
c.	That an administering authority that does not include lay members in its formal governance arrangements must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Full compliance. The Pension Fund Sub-Committee includes lay members. Road shows are arranged for employers.
<b>G</b>	<b>Access</b>	
a.	That, subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Full compliance. Equal access is provided to all members of the Pension Fund Sub-Committee.
<b>H</b>	<b>Scope</b>	
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full compliance. The Pension Fund Sub-Committee deals with fund administration issues as well as fund investment.

Ref.	Principles	Compliance and comments
<b>I</b>	<b>Publicity</b>	
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Full compliance. The Council's Governance Policy Statement is published in the Pension Fund's Annual Report and on its website.



## 8. Brent Pension Accounts

# Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2020

2018/19 £m		Notes	2019/20 £m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(52.1)	Contributions	7	(60.0)
(2.8)	Transfers in from other pension funds	8	(5.2)
<b>(54.9)</b>			<b>(65.2)</b>
45.9	Benefits	9	47.9
1.8	Payments to and on account of leavers	10	6.2
<b>47.7</b>			<b>54.2</b>
<b>(7.2)</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>(11.1)</b>
6.8	Management expenses	11	3.8
<b>(0.4)</b>	<b>Net (additions)/withdrawals including management expenses</b>		<b>(7.3)</b>
	<b>Returns on investments</b>		
(1.4)	Investment income	12	(1.2)
0.0	Taxes on income	13	0.0
(61.7)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	34.1
<b>(63.1)</b>	<b>Net return on investments</b>		<b>32.9</b>
(63.5)	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		25.6
<b>(801.1)</b>	<b>Opening net assets of the scheme</b>		<b>(864.6)</b>
<b>(864.6)</b>	<b>Closing net assets of the scheme</b>		<b>(839.0)</b>

## Net Assets Statement

31 March 2019 £m		Notes	31 March 2020 £m
856.4	Investment assets	14	835.3
<b>856.4</b>			<b>835.3</b>
9.1	Current assets	20	4.0
0.0	Non-current assets		0.0
(0.9)	Current liabilities	21	(0.4)
	<b>Net assets of the fund available to fund</b>		
<b>864.6</b>	<b>benefits at the period end</b>		<b>839.0</b>

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2020 but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

## Notes to the Brent Pension Fund accounts

### 1. Description of Fund

The Brent Pension Fund (the 'Fund') is part of the Local Government Pension Scheme, and is administered by Brent Council.

The following description of the Fund is a summary only.

#### **a) General**

The Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

#### **b) Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Brent Pension Fund include:

Scheduled bodies whose staff are automatically entitled to be members of the Fund. Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 40 employer organisations with active members within the Brent Pension Fund at 31 March 2020, listed below:

#### **Scheduled bodies**

London Borough of Brent  
Alperton Community School  
ARK Academy  
ARK Elvin Academy  
ARK Franklin Academy  
Braintcroft Primary School  
Capital City Academy  
Claremont High School Academy  
Compass Learning Partnership  
Convent of Jesus & Mary Language College  
Crest Academy  
Furness Primary School  
Gladstone Park Primary School  
Kingsbury High School  
Manor School  
Michaela Community School  
North West London Jewish Day School  
Oakington Manor Primary School  
Our Lady of Grace RC Infants School  
Our Lady of Grace RC Juniors School  
Preston Manor High School  
Queens Park Community School  
St Andrews and St Francis School  
St Gregory's RC High School  
St Margaret Clitherow  
Sudbury Primary School

The Village School  
Wembley High Technology College  
Woodfield School Academy

#### Admitted bodies

Apleona HSG Ltd (previously Bilfinger originally Europa Facility (Services Limited))  
Barnardos  
Caterlink  
Conway Aecom  
Local Employment Access Project (LEAP)  
National Autistic Society (NAS)  
Ricoh UK  
Sudbury Neighbourhood Centre  
Taylor Shaw  
Veolia  
Veolia (Ground Maintenance)

31 March 2019	Brent Pension Fund	31 March 2020
36	Number of employers with active members	40
	<b>Number of employees in scheme</b>	
5,209	Brent Council	5,239
1,547	Other employers	1,834
<b>6,756</b>	<b>Total</b>	<b>7,073</b>
	<b>Number of pensioners</b>	
6,193	Brent Council	6,320
537	Other employers	666
<b>6,730</b>	<b>Total</b>	<b>6,986</b>
	<b>Deferred pensioners</b>	
7,053	Brent Council	6,975
815	Other employers	935
<b>7,868</b>	<b>Total</b>	<b>7,910</b>

#### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. During 2019/20, the most commonly applied employer contribution rate within the Brent Pension Fund was 35.0% of pensionable pay.

#### d) Benefits

Since April 2014, the scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate 1/49th. Accrued pension is updated annually in line with the Consumer Price index.

For a summary of the scheme before April 2014 and details of a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits, please refer to the LGPS website: [www.lgpsmember.org](http://www.lgpsmember.org)

## *2. Basis of preparation*

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

## *3. Summary of significant accounting policies*

### **Fund Account – revenue recognition**

#### **a) Contribution income**

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

#### **b) Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section o below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

#### **c) Investment income**

##### **i) Interest income**

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

##### **ii) Dividend income**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount

not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) **Distributions from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) **Movement in the net market value of investments**

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

**Fund Account – expense items**

**d) Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

**e) Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

**f) Administration expenses**

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions' administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

**g) Investment management expenses**

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

**Net Assets Statement**

**h) Financial assets**

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) **Market-quoted investments**

The value of an investment for which there is a readily available market price is determined

by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

**i) Contingent Assets**

Admitted body employers in the Brent Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 25.

**j) Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

**k) Derivatives**

The Fund does not use derivative financial instruments to manage its exposure to specific risks arising from its investment activities in its own name. Neither does it hold derivatives for

speculative purposes.

#### **l) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

#### **m) Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

#### **n) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

#### **o) Additional voluntary contributions**

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 22).

### ***4. Critical judgements in applying accounting policies***

#### **Unquoted private equity/infrastructure investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2020 was £84m (£95m at 31 March 2019).

#### **Pension fund liability**

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the



actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

#### *5. Assumptions made about the future and other major sources of estimation uncertainty*

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<b>Actuarial present value of promised retirement benefits (Note 19)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £136m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £8m, and a one-year increase in assumed life expectancy would increase the liability by approximately 3 to 5%.
<b>Private equity/infrastructure</b>	Private equity/infrastructure investments are valued at fair value using recognised valuation techniques. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £84m. There is a risk that this investment may be under- or overstated in the accounts.
<b>Effect of Coronavirus pandemic on investment valuations</b>	Due to the uncertainties in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation of the Fund's level 3 investments may be affected and the valuations may be mis-stated. The Fund's private equity and infrastructure investments are usually valued in the accounts based on the 31st	There is a risk that this investment may be under- or overstated in the accounts. The Fund's investment advisors estimate this to be up +/- 24.3% of the reported value. Further detail is provided in note 17.

	December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into account the impact of the Covid-19 pandemic.	
<b>McCloud Ruling</b>	The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes. The courts have ruled that the ‘transitional protections’ awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS and Brent Pension Fund) were unlawful on the grounds of age discrimination. This will increase the liabilities of the Fund however the exact size of such liability is unknown. However, the IAS19 valuation included in London Borough of Brent’s accounts do include an estimated allowance for McCloud.	There is a risk that the estimate of the McCloud additional liabilities may be over or understated in these accounts.

## 6. Events after the Reporting Date

There have been no events since 31 March 2020, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### By category

	2018/19	2019/20
	£m	£m
Employees’ contributions	9.2	8.5
Employers’ contributions:		
Normal contributions	39.7	45.6
Deficit recovery contributions	1.7	1.7
Augmentation contributions	1.5	4.3
Total employers’ contributions	42.9	51.5
<b>Total</b>	<b>52.1</b>	<b>60.0</b>

### By authority

	2018/19	2019/20
	£m	£m
Administering Authority	42.0	47.8
Scheduled bodies	8.5	10.3

Admitted bodies	1.6	1.8
<b>Total</b>	<b>52.1</b>	<b>60.0</b>

#### *8. Transfers in from other pension funds*

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Individual transfers	2.8	5.2
<b>Total</b>	<b>2.8</b>	<b>5.2</b>

#### *9. Benefits payable*

##### **By category**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Pensions	37.7	38.6
Commutation and lump sum retirement benefits	7.1	8.5
Lump sum death benefits	1.1	0.8
<b>Total</b>	<b>45.9</b>	<b>47.9</b>

##### **By authority**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Administering Authority and Scheduled bodies	44.1	47.4
Admitted bodies	1.8	0.5
<b>Total</b>	<b>45.9</b>	<b>47.9</b>

#### *10. Payments to and on account of leavers*

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Individual transfers	1.8	5.9
Refunds to members leaving service	0.1	0.3
Group transfers	(0.1)	0.0
<b>Total</b>	<b>1.8</b>	<b>6.2</b>

#### *11. Management Expenses*

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Administration costs	1.2	1.1
Investment management expenses	3.2	2.4
Oversight and Governance costs	0.2	0.3
Other expenses	2.2	0.0
<b>Total</b>	<b>6.8</b>	<b>3.8</b>

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £25k (£16.1k 2018/19).

**a) Investment management expenses**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Management fees	2.7	2.3
Custody fees	0.1	0.0
One-off transaction costs	0.4	0.0
<b>Total</b>	<b>3.2</b>	<b>2.3</b>

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability {see Appendix A, paragraph AG13 of IAS 39}. An incremental cost is one that would not have been incurred if the authority had not acquired, issued or disposed of the financial instrument.

*12. Investment income*

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Dividend income private equities/infrastructure	0.2	0.5
Income from Pooled property investments	0.5	0.1
Income from private equities/infrastructure	0.2	0.3
Interest on cash deposits	0.5	0.3
<b>Total</b>	<b>1.4</b>	<b>1.2</b>

*13. Taxes on income*

	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Withholding tax	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

*14. Investments*

	<b>Market value 31 March 2019 £m</b>	<b>Market value 31 March 2020 £m</b>
<b>Investment assets</b>		
Pooled investments	737.7	697.0
Pooled property investments	0.2	0.1
Private equity/infrastructure	95.0	84.3
<b>Total investments</b>	<b>832.9</b>	<b>781.4</b>

**14a) Investments 19/20**

	<b>Market value 1 April 2019</b>	<b>Purchases during the year</b>	<b>Sales during the year</b>	<b>Change in market value during the year</b>	<b>Market value 31 March 2020</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Pooled investments</b>	737.7	0.0	(1.2)	(39.5)	697.0
<b>Pooled property investments</b>	0.2	0.0	(3.3)	3.2	0.1
<b>Private equity/infrastructure</b>	95.0	3.2	(16.1)	2.2	84.3
	<b>832.9</b>	<b>3.2</b>	<b>(20.6)</b>	<b>(34.1)</b>	<b>781.4</b>
<b>Other investment balances: Cash Deposit</b>	23.5				53.9
<b>Investment income due</b>	0.0				0.0
<b>Net investment assets</b>	<b><u>856.4</u></b>				<b><u>835.3</u></b>

**Investments 18/19**

	<b>Market value 1 April 2018</b>	<b>Purchases during the year</b>	<b>Sales during the year</b>	<b>Change in market value during the year</b>	<b>Market value 31 March 2019</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Pooled investments</b>	636.9	181.9	(122.0)	40.9	737.7
<b>Pooled property investments</b>	2.1	0.0	(1.4)	(0.5)	0.2
<b>Private equity/infrastructure</b>	98.3	6.2	(30.8)	21.3	95.0
	<b>737.3</b>	<b>188.1</b>	<b>(154.2)</b>	<b>61.7</b>	<b>832.9</b>
<b>Other investment balances: Cash Deposit</b>	94.0				23.5
<b>Investment income due</b>	0.0				0.0
<b>Net investment assets</b>	<b><u>831.3</u></b>				<b><u>856.4</u></b>

**14b) Analysis of investments by category**

	31 March 2019 £m	31 March 2020 £m
<b>Pooled funds - additional analysis</b>		
<b>UK</b>		
Fixed income unit trust	35.5	30.6
Unit trusts	224.6	212.1
Diversified growth funds	170.1	160.9
<b>Overseas</b>		
Unit trusts	307.5	293.4
<b>Total Pooled funds</b>	<b>737.7</b>	<b>697.0</b>
<b>Pooled property investments</b>	0.2	0.1
<b>Private equity/infrastructure</b>	95.0	84.3
<b>Total investments</b>	<b>832.9</b>	<b>781.4</b>

**14c) Investments analysed by fund manager**

Market value					
31 March 2019			31 March 2020		
£m	%		£m	%	
422.9	50.8%	Legal & General	387.5	49.6%	
0.2	0.0%	London CIV	0.2	0.0%	
30.3	3.6%	Janus Henderson	0.0	0.0%	
0.0	0.0%	JP Morgan	25.2	3.2%	
69.4	8.3%	Capital Dynamics	59.2	7.6%	
0.0	0.0%	Yorkshire Fund Managers	0.0	0.0%	
121.5	14.6%	LCIV - Baillie Gifford	110.8	14.2%	
48.6	5.8%	LCIV - Ruffer	50.1	6.4%	
35.5	4.3%	LCIV- MAC (CQS)	30.6	3.9%	
0.0	0.0%	LCIV - Infrastructure	0.5	0.1%	
0.2	0.0%	Aviva	0.1	0.0%	
25.6	3.1%	Alinda	24.6	3.1%	
78.7	9.4%	Blackrock	92.6	11.9%	
<b>832.9</b>	<b>100.0</b>		<b>781.4</b>	<b>100.0</b>	

The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the United Kingdom.

<b>Security</b>	<b>Market value 31 March 2020</b>	<b>% of total fund</b>	<b>Market value 31 March 2019</b>	<b>% of total fund</b>
L&G - Global Equities	293.4	35.1%	307.5	35.9%
L&G - UK Equities	94.1	11.3%	115.4	13.5%
Blackrock - Over 15 year Gilts	92.6	11.1%	78.7	9.2%
LCIV - Baillie Gifford DGF	110.8	13.3%	121.5	14.2%
LCIV - Ruffer DGF	50.1	6.0%	48.6	5.7%
Capital Dynamics - Private Equity	49.1	5.9%	58.0	6.8%
Cash	53.9	6.5%	23.5	2.7%

#### **d) Stock lending**

The London Borough of Brent Pension Fund does not operate a Stock Lending programme.

#### *15a. Valuation of financial instruments carried at fair value*

The basis of the valuation of each asset class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

<b>Description of asset</b>	<b>Valuation hierarchy</b>	<b>Basis of valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the valuations provided</b>
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
<b>Pooled investments – overseas unit trusts and property funds</b>	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
<b>Unquoted equity</b>	Level 3	Comparable valuation of similar companies in	EBITDA multiple Revenue multiple	Valuations could be affected by material events occurring between the date of

		accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Discount for lack of marketability Control premium	the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts
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### Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value of decrease
		£m	£m	£m
Private equity/ Infrastructure	24.3%	84.3	104.7	63.9

#### *15b. Fair value hierarchy*

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### **Level 1**

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

#### **Level 2**

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

#### **Level 3**

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.



Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Brent Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Transfers between levels will be recognised when there has been a change to observable mark data (improvement or reduction) or other change in valuation technique.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

<b>Values at 31 March 2020</b>	<b>Quoted market price Level 1 £m</b>	<b>Using observable inputs Level 2 £m</b>	<b>With significant unobservable inputs Level 3 £m</b>	<b>Total £m</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	0.0	697.1	84.3	781.4
Loans and receivables	53.9	0.0	0.0	53.9
<b>Total Financial assets</b>	<b>53.9</b>	<b>697.1</b>	<b>84.3</b>	<b>835.3</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(0.4)	0.0	0.0	(0.4)
<b>Total Financial liabilities</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.4)</b>
<b>Net Financial assets</b>	<b>53.5</b>	<b>697.1</b>	<b>84.3</b>	<b>834.9</b>

Values at 31 March 2019	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	0.0	737.9	95.0	832.9
Loans and receivables	23.5	0.0	0.0	23.5
<b>Total Financial assets</b>	<b>23.5</b>	<b>737.9</b>	<b>95.0</b>	<b>856.4</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(0.9)	0.0	0.0	(0.9)
<b>Total Financial liabilities</b>	<b>(0.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.9)</b>
<b>Net Financial assets</b>	<b>22.6</b>	<b>737.9</b>	<b>95.0</b>	<b>855.5</b>

#### 15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

#### 15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2019	95.0
Transfers into Level 3	0
Transfers out of Level 3	0
Purchases	3.2
Sales	(16.1)
Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	2.2
Value at 31 March 2020	84.3

## 16. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2019			31 March 2020		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
<b>Financial assets</b>					
737.7			697.0		
0.2			0.1		
95.0			84.3		
	23.5			53.9	
	9.1			4.0	
<b>832.9</b>	<b>32.6</b>	<b>0.0</b>	<b>781.4</b>	<b>57.9</b>	<b>0.0</b>
<b>Financial liabilities</b>					
		(0.9)			(0.4)
<b>0</b>	<b>0</b>	<b>(0.9)</b>	<b>0</b>	<b>0</b>	<b>(0.4)</b>
<b>Net Financial assets</b>					
<b>832.9</b>	<b>32.6</b>	<b>(0.9)</b>	<b>781.4</b>	<b>57.9</b>	<b>(0.4)</b>

### a) Net gains and losses on financial instruments

31 March 2019	31 March 2020
£m	£m
<b>Financial assets</b>	
61.7	(34.1)
<b>61.7</b>	<b>(34.1)</b>

### b) Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2019 Carrying Value £'000	Fair Value £'000		31 March 2020 Carrying Value £'000	Fair Value £'000
		<b>Financial assets</b>		
832.9	832.9	Fair value through profit and loss	781.4	781.4
32.6	32.6	Loans and receivables	57.9	57.9
<b>865.5</b>	<b>865.5</b>	<b>Total financial assets</b>	<b>839.3</b>	<b>839.3</b>
		<b>Financial liabilities</b>		
(0.9)	(0.9)	Financial liabilities at amortised cost	(0.4)	(0.4)
<b>(0.9)</b>	<b>(0.9)</b>	<b>Total financial liabilities</b>	<b>(0.4)</b>	<b>(0.4)</b>

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

#### *17. Nature and extent of risks arising from financial instruments*

##### **Risk and risk management**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

##### **a) Market risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate

market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

### Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period. (based on data as at 31 March 2020 using data provided by investment advisers scenario model). The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. Some of these sensitivities have risen significantly compared to last year. This reflects the prevailing volatility in the markets since the global outbreak of coronavirus. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

#### Other price risk – sensitivity analysis

<b>Asset Type</b>	<b>31/03/2020 Value (£m)</b>	<b>Potential market movements (+/-)</b>
Bonds	123.2	7.6%
Equities	412.9	26.3%
Other Pooled investments	160.9	13.0%
Pooled Property investments	0.1	14.2%
Private Equity/Infrastructure	84.3	24.3%

Had the market price of the fund investments increased/decreased the change in the net assets available to pay benefits in the market price would have been as follows:

<b>Asset Type</b>	<b>31/03/2020 Value</b>	<b>Potential value on increase</b>	<b>Potential value on decrease</b>
-------------------	-----------------------------	--	--

Bonds	123.2	132.6	113.8
Equities	412.9	521.5	304.3
Other Pooled investments	160.9	181.8	140.0
Pooled Property investments	0.1	0.1	0.1
Private Equity/Infrastructure	84.3	104.7	63.9
<b>Total</b>	<b>781.4</b>	<b>940.7</b>	<b>622.1</b>

### Interest rate risk exposure asset type

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£m</b>	<b>£m</b>
Cash balances	23.5	53.9
UK Fixed income unit trust	35.5	30.6
<b>Total</b>	<b>59.0</b>	<b>84.5</b>

<b>Asset type</b>	<b>Carrying amount as at 31 March 2020</b>	<b>Change in year in the net assets available to pay benefits</b>	
	<b>£m</b>	<b>+100 BPS</b>	<b>-100 BPS</b>
		<b>£m</b>	<b>£m</b>
Cash balances	53.9	0.5	(0.5)
UK Fixed income unit trust	30.6	0.3	(0.3)
<b>Total change in assets available</b>	<b>84.5</b>	<b>0.8</b>	<b>(0.8)</b>

<b>Asset type</b>	<b>Carrying amount as at 31 March 2019</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+100 BPS</b>	<b>-100 BPS</b>

	£m	£m	£m
Cash balances	23.5	0.2	(0.2)
UK Fixed income unit trust	35.5	0.4	(0.4)
<b>Total change in assets available</b>	<b>59.0</b>	<b>0.6</b>	<b>(0.6)</b>

### Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2020 and as at the previous period end:

<b>Currency risk exposure – asset type</b>	<b>Asset value at 31 March 2019 £m</b>	<b>Asset value at 31 March 2020 £m</b>
Overseas unit trusts	307.5	293.4
Overseas pooled property investments	0.2	0.1
Overseas private equity/infrastructure	95.0	84.3
<b>Total overseas assets</b>	<b>402.7</b>	<b>377.8</b>

A 1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	<b>Asset value as at 31 March 2020 £m</b>	<b>Change to net assets available to pay benefits</b>	
		<b>+1% £m</b>	<b>-1% £m</b>
Overseas unit trusts	293.4	2.9	(2.9)
Overseas pooled property investments	0.1	0.0	(0.0)
Overseas private equity/infrastructure	84.3	0.8	(0.8)
<b>Total change in assets available</b>	<b>377.8</b>	<b>3.8</b>	<b>(3.8)</b>

	<b>Asset value as at 31 March 2019 £m</b>	<b>Change to net assets available to pay benefits</b>	
		<b>+1% £m</b>	<b>-1% £m</b>
Overseas unit trusts	307.5	3.1	(3.1)

Overseas pooled property investments	0.2	0.0	(0.0)
Overseas private equity/infrastructure	95.0	1.0	(1.0)
<b>Total change in assets available</b>	<b>402.7</b>	<b>4.0</b>	<b>(4.0)</b>

## b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Pension Fund's cash balance is held in an interest bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £54.0m (31 March 2019: £23.5m). This was held with the following institutions:

	Rating	Balances as at 31 March 2019 £m	Balances as at 31 March 2020 £m
<b>Bank deposit accounts</b>			
NatWest	BBB+	1.1	0.8
Northern Trust		3.3	0.1
Money Market deposits	A+	19.1	53.1
<b>Other short-term lending</b>			
Local authorities		0.0	0.0
<b>Total</b>		<b>23.5</b>	<b>54.0</b>

## c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its pensioner payroll costs and investment commitments.

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2020 the value of illiquid assets was £84.4m, which represented 10% (31 March 2019: £95.2m, which represented 11%) of the total fund assets.



Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2020 are due within one year.

#### **d) Refinancing risk**

The key risk is that the Pension Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

### **18. Funding arrangements**

In line with the LGPS (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years from 1 April 2019 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the Fund was assessed as 78% funded, which is a significant improvement to the 55% valuation at the 2016 valuation. This corresponded to a deficit of £248m (2016 valuation: £562m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 19 years from April 2019.

Contribution increases or decreases may be phased in over the three-year period beginning 31 March 2020 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

<b>Year</b>	<b>Employers' contribution rate</b>
2018/19	33.8%
2019/20	35.0%
2020/21	35.0%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

The main actuarial assumptions used for the March 2019 actuarial valuation were as follows:

Discount rate	4.4% p.a.
Pay increases	2.6% p.a.
Pension increases	2.3% p.a.

### **Mortality assumptions**

Future life expectancy based on the Actuary's fund-specific mortality review was:

<b>Mortality assumption at age 65</b>	<b>Male</b>	<b>Female</b>
Current pensioners	22.1 years	24.3 years

### **Commutation assumption**

It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

### ***19. Actuarial present value of promised retirement benefits***

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2020 was £1,489m (31 March 2019: £1,826m). This figure includes both vested and non-vested benefits, although the latter is assumed to have a negligible value. The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### **Financial assumptions**

Inflation/pensions increase rate	1.9%
Salary increase rate	2.2%
Discount rate	2.3%

## Longevity assumption

The average future life expectancies at age 65 are summarised below:

	<b>Males</b>	<b>Females</b>
Current pensioners	22.1 years	24.3 years
Future pensioners*	23.0 years	25.5 years

\* Future pensioners are assumed to be currently aged 45

## Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

## Sensitivity Analysis

<b>Sensitivity to the assumptions for the year ended 31 March 2020</b>	<b>Approximate % increase to liabilities</b>	<b>Approximate monetary amount (£m)</b>
0.5% p.a. increase in the Pension Increase Rate (CPI)	9%	127
0.5% p.a. increase in the Salary Increase Rate	1%	8
0.5% p.a. decrease in the discount rate	9%	136

## 20. Assets

### a) Current assets

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£m</b>	<b>£m</b>
Debtors:		
- Contributions due – employees	1.3	0.7
- Contributions due – employers	7.0	2.9
- Sundry debtors	0.8	0.5
<b>Total</b>	<b>9.1</b>	<b>4.0</b>

### Analysis of debtors

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£m</b>	<b>£m</b>
Central government bodies	0.1	0.4
Other local authorities	6.8	3.5
Other entities and individuals	2.2	0.1
<b>Total</b>	<b>9.1</b>	<b>4.0</b>

Non- current assets comprises of contributions due from employers, repayable later than a year from the Balance Sheet date.

## 21. Current liabilities

<b>31 March 2019</b>	<b>31 March 2020</b>
<b>£m</b>	<b>£m</b>

Group transfers	(0.1)	0.0
Sundry creditors	1.0	0.4
	<b>0.9</b>	<b>0.4</b>

### Analysis of creditors

	31 March 2019	31 March 2020
	£m	£m
College of North West London	(0.1)	0.0
Other entities and individuals	1.0	0.4
<b>Total</b>	<b>0.9</b>	<b>0.4</b>

### 22. Additional voluntary contributions

	Market value 31 March 2019	Market value 31 March 2020
	£m	£m
Clerical Medical	1.3	1.3
Equitable Life	0.2	0.2
Prudential	0.1	0.3
<b>Total</b>	<b>1.5</b>	<b>1.8</b>

The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

For information, Prudential has since replaced Clerical Medical as the Fund's AVC provider with effect from 1 April 2014.

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

### 23. Related party transactions

#### Brent Council

The Brent Pension Fund is administered by Brent Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.997m (2018/19: £0.796m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £33.7m to the Fund in 2019/20 (2018/19: £32.5m).

#### Governance

There are no members of the Pension Fund Sub-Committee who are either in receipt of pension benefits from or active members of the Brent Pension Fund. Each member of the Pension Fund Sub-Committee is required to declare their interests at each meeting.

#### Key management personnel

The key management personnel of the fund are the Chief Executive, the Assistant Chief Executive the Director of Legal & HR, the Director of Finance (s.151 officer) and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	<b>31st March 2019</b>	<b>31st March 2020</b>
	<b>£m</b>	<b>£m</b>
Short Term Benefits	0.036	0.039
Post Employment Benefits	0.008	0.011
Termination Benefits	0.000	0.000
<b>Total Remunerations</b>	<b>0.044</b>	<b>0.050</b>

#### *24. Contingent liabilities*

Outstanding capital commitments (investments) at 31 March 2020 totalled £76m (31 March 2019: £26.9m).

	<b>31st March 2019</b>	<b>31st March 2020</b>
	<b>£m</b>	<b>£m</b>
Capital Dynamics	14.1	13.9
Alinda Fund II	2.9	3.1
Alinda Fund III	9.9	9.5
London CIV Infrastructure Fund	n/a	49.5
<b>Total</b>	<b>26.9</b>	<b>75.9</b>

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

## 25. *Contingent Assets*

### Other Contingent assets

Two non-associated admitted body employers in the Brent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

	<b>31st March 2019 £m</b>	<b>31st March 2020 £m</b>
Apleona HSG Limited (previously Bilfinger)	0.1	0.1
Conway Aecom	0.1	0.1
Capita Business Services*	0.1	0.0
<b>Total</b>	<b>0.3</b>	<b>0.2</b>

\*Admission agreement has ended, therefore Contingent Assets are £0.0m as at 31st March 2020.

## 26. *Impairment Losses*

The Fund had no contingent liabilities at 31 March 2020.

## Statement of Responsibilities

### The Fund's responsibilities

The Fund is required to:

- make arrangements for the proper administration of its financial affairs and to make one of its officers responsible for the administration of those affairs. At Brent Council, the Director of Finance fulfils that responsibility.
- manage its affairs so as to use resources economically, efficiently and effectively, and safeguard its assets
- approve the Brent Pension Fund's statement of accounts.

### Director of Finance's responsibilities

The Director of Finance is responsible for preparing the Brent Pension Fund's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2019/20 ('the Code of Practice').

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Director of Finance has also:

- kept proper accounting records, which are up to date
- taken reasonable steps to prevent fraud and other irregularities.

### Director of Finance's statement

I certify that the statement of accounts as set out on pages 33 to 62 presents a true and fair view of the financial position of the Brent Pension Fund as at the accounting date and its income and expenditure for the year ended 31 March 2020.



**Minesh Patel CPFA**

Director of Finance

Date 11 September 2020

## 9. Independent Auditor's Report

### Independent auditor's report to the members of London Borough of Brent on the pension fund financial statements of Brent Pension Fund

#### Opinion

We have audited the financial statements of Brent Pension Fund (the 'pension fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt



the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

#### **Emphasis of Matter - effects of Covid-19 on the investment valuation**

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's private equity and infrastructure investments as at 31 March 2020. As, disclosed in note 5 to the financial statements, due to the uncertainty in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation of the Fund's level 3 investments maybe affected and the valuations may be misstated. The Fund's private equity and infrastructure investments are usually valued in the accounts based on 31st December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into accounts the impact of Covid-19 pandemic. Our opinion is not modified in respect of this matter.

#### **Other information**

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's and group's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

#### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Dossett*

Paul Dossett, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor, London

**11 September 2020**

## Independent auditor's report to the members of London Borough of Brent on the consistency of the pension fund financial statements of Brent Pension Fund included in the Pension Fund Annual Report 2019/20

### Opinion

The pension fund financial statements of Brent Pension Fund (the 'pension fund') administered by London Borough of Brent (the "Authority") for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2020 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 and applicable law.

### Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

### The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report 11 September 2020.

That report also includes an Emphasis of Matter - effects of Covid-19 on the valuation of property investments section that draws attention to Note 5 in the audited pension fund financial statements, which is replicated in Note 5 of the pension fund financial statements. Note 5 describes due to the uncertainty in the financial markets caused by the current Coronavirus pandemic, there is an increased risk that the valuation of the Fund's level 3 investments maybe affected and the valuations may be misstated. The Fund's private equity and infrastructure investments are usually valued in the accounts based on 31st December valuations, with adjustments to roll forward cashflows to 31st March as appropriate and therefore do not fully take into accounts the impact of Covid-19 pandemic. As stated in our report dated 11 September 2020, our opinion is not modified in respect of this matter.

### Director of Finance responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Dossett*

Paul Dossett, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

25 November 2020

## 10. Glossary

### **Active Management**

A style of investment management which seeks to provide outperformance of a relevant benchmark through either asset allocation, market timing or stock selection (or a combination of these). Directly contrasted with passive management that seeks to replicate the performance of a selected benchmark.

### **Actuarial assumptions**

The combined set of assumptions made by the actuary, regarding the future, to calculate the value of liabilities. The main assumptions will relate to the discount rate, salary growth, pension increases and longevity. More prudent assumptions will give a higher liability value, whereas more optimistic assumptions will give a lower value.

### **Actuarial Valuation**

A review of the Pension Fund by a qualified Actuary, which takes place every three years to ensure that employers' contributions are sufficient to maintain the solvency of the Fund in the long term.

### **Actuary**

An independent qualified consultant who carries out the Actuarial Valuation and advises on new investment strategies.

### **Administering Authority**

A local authority with statutory responsibility for running a pension fund under LGPS regulations, in effect the Fund's "trustees". Within the geographical boundary of the London Borough of Brent this is Brent Council.

### **Admitted Bodies**

An organisation, which, under the Pension Scheme Regulations, is able to apply to the Administering Authority to join the Scheme (e.g., a contractor providing services to the Council or another scheduled body). Upon acceptance, an Admission Agreement is prepared which sets out the employer's obligations and admits the organisation to voluntarily participate in the Fund and allowing its employees to join.

### **Alternative Investments**

Less traditional investments where risks can be greater but potential returns higher over the long term, for example investments in private equity partnerships, hedge funds, commodities, foreign currency and futures.

### **Asset Allocation / Asset Mix**

The apportionment of the Fund's assets between asset classes and/or markets. Asset allocation may be either strategic, i.e., long term, or Tactical, i.e., short term, aiming to take advantage of relative market movements.

**Auditor**

An independent qualified accountant who is required to verify and agree the Pension Fund Accounts and issue an opinion on their accuracy.

**AVCs**

Additional voluntary contributions – paid by a contributor who decides to supplement his or her pension by paying extra contributions to the scheme's AVC providers (Clerical Medical and Equitable Life).

**Benchmark**

A “notional” fund or model portfolio which is developed to provide a standard against which a manager's performance is measured, e.g., for a global equity fund the benchmark against which it will be measured could be made up 70%/30% by overseas equities/UK equities. A target return is generally expressed as some margin over the benchmark.

**Bond**

A certificate of debt, paying a fixed rate of interest for a defined period of time, issued by companies, governments or government agencies.

**Bulk Transfer**

A transfer of a group of members agreed by and taking place between two pension schemes.

**Cessation Valuation**

A calculation carried out by the Actuary when an employer leaves the Fund, which may result in a final deficit payment becoming due to the Fund.

**Common contribution rate**

The Fund-wide future service rate plus past service adjustment. It should be noted that this will differ from the actual contributions payable by individual employers.

**Commutation**

The conversion of an annual pension entitlement into a lump sum on retirement.

**Contingent Liability**

A possible loss, subject to confirmation by an event after the Balance Sheet date, where the outcome is uncertain in terms of cost.

**Covenant**

The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.

**Deficit**

The shortfall between the assets value and the liabilities value. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

### **Discount rate**

The annual rate at which future assumed cash flows (in and out of the Fund) are discounted to the present day. This is necessary to provide a liabilities value which is consistent with the present day value of the assets, to calculate the deficit. A lower discount rate gives a higher liabilities value, and vice versa. It is similarly used in the calculation of the future service rate and the common contribution rate.

### **Dividends**

Income to the Fund on its holdings of UK and overseas shares.

### **Emerging Markets**

The financial markets of developing economies.

### **Equities**

Shares in UK and overseas companies that can be traded on public markets.

### **Final Pay**

This is the figure used to calculate most of a member's pension benefits and is normally their pay in the last year before they retire, or one of the previous two years' pay if that amount is higher. For a part-time employee, the figure used is normally the pay they would have received had they worked whole time.

### **Fixed Interest Securities**

Investments in stocks mainly issued by governments, which guarantee a fixed rate of interest.

### **FTSE**

A company that specialises in index calculation. Although not part of a stock exchange, co-owners include the London Stock Exchange and the Financial Times. They are best known for the FTSE 100, an index of the top 100 UK companies (ranked by size).

### **Fund Manager**

A firm of professionals appointed by the Pension Fund Sub-Committee to carry out day to day investment decisions for the Fund within the terms of their Investment Management Agreement.

### **Funding Level**

The ratio of assets value to liabilities value.

### **Funding Target**

The amount of assets which the Fund needs to hold at any point in time to meet all benefits promised.

### **Future service rate**

The actuarially calculated cost of each year's build-up of pension by the current active members, excluding members' contributions but including Fund administrative expenses. This is calculated using a chosen set of actuarial assumptions.

### **Gilts**

Fixed-interest bonds issued by the British government, i.e., a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency. They are the equivalent of U.S. Treasury securities.

### **Global Custodian**

A bank that looks after the Fund's investments, implements investment transactions as instructed by the Fund's managers and provides reporting, performance and administrative services to the Fund.

### **Guarantor**

A body which guarantees to pay for an Admitted Body's liabilities in case of default. For any new Admitted Body wishing to join the Fund, the Administering Authority will require a Guarantor. The presence of a Guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its Guarantor's.

### **Hedge Fund**

A specialist fund that seeks to generate consistent returns in all market conditions by exploiting opportunities resulting from inefficient markets.

### **Hedging**

A strategy which aims to eliminate a risk in an investment transaction (both upside and downside potential). Often used in the context of overseas investments to eliminate the impact of currency movements.

### **Income Yield**

Annual income on an investment divided by its price and expressed as a percentage.

### **Index**

A measure of the value of a stock market based on a representative sample of stocks. An index is often used as a benchmark for the performance of a group of shares or bonds.

### **Index-Linked Securities**

Investments which generate returns in line with an index.

### **Investment Adviser**

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial investment advice to companies, pension funds or individuals.



**Letting employer**

An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

**LGPS**

Local Government Pension Scheme – a nationwide scheme for employees working in local government or working for other employers participating in the scheme. Government Regulations dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g., regarding investment strategy, employer contributions and choice of advisers.

**Liabilities**

The actuarially calculated present value of all pension entitlements of all members of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the deficit. It is calculated on a chosen set of actuarial assumptions.

**LIBOR**

London Inter Bank Offer Rate – the interest rate that banks charge each other in the short-term international money market. It is often used as a benchmark to set other interest rates or to measure returns on investments.

**Mandate**

A set of instructions given to the fund manager by the client as to how a fund is to be managed (e.g., targets for performance against a benchmark may be set or the manager may be prohibited from investing in certain stocks or sectors).

**Market Value**

The “on paper” value of a security at a specific point in time. It is calculated by multiplying the number of shares held by market price of that share in sterling terms.

**Maturity**

A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

**Members**

The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have

not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

### **Orphan Liabilities**

Residual liabilities of employers from whom no further funding can be obtained.

### **Outperformance / underperformance**

The difference in returns gained by a particular fund against the “average” fund or an index over a specified time period, i.e., a target for a fund may be outperformance of a given benchmark over a three-year period.

### **Past service adjustment**

The part of the employer’s annual contribution which relates to past service deficit repair.

### **Performance**

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period – either in absolute terms or as measured against the “average” fund of a particular benchmark.

### **Pooled Investment Fund**

A collective investment scheme that works by pooling money from different individual investors.

### **Pooling**

Employers may be grouped together for the purpose of calculating contribution rates, so that their combined membership and asset shares are used to calculate a single contribution rate applicable to all employers in the pool. A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

### **Portfolio**

Term used to describe all investments held.

### **Private Equity**

Mainly specialist pooled partnerships that invest in private companies not normally traded on public stock markets – these are often illiquid (i.e., not easily turned into cash) and higher-risk investments that should provide high returns over the long term.

### **Profile**

The profile of an employer’s membership or liability reflects various measurements of that employer’s members, i.e., current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.

### **Rates and Adjustments Certificate**

A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and

confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

### **Recovery Period**

Timescale allowed over which surpluses or deficiencies to the Fund can be eliminated.

### **Regulations**

The Scheme is governed by Regulation approved by Parliament. Necessary amendments are made to these Regulations by means of Statutory Instruments.

### **Risk**

Generally taken to mean the variability of returns. Investments with greater risk must usually promise higher returns than more “stable” investments before investors will buy them.

### **Scheduled Bodies**

These are organisations as listed in the Local Government Pension Scheme Regulations 1997 (Schedule 2) who must be offered membership of their local LGPS Fund as of right. These include Councils, colleges, universities, academies, police and fire authorities, etc., other than employees who have entitlement to a different public sector pension scheme (e.g., teachers, police and fire officers, university lecturers).

### **Securities**

Investment in company shares, fixed interest or index-linked stocks.

### **Solvency**

When the Fund’s assets are greater than or equal to 100% of the Funding Target, which is the liabilities value.

### **Stabilisation**

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

### **Statement of Investment Principles**

Requirement, arising from the Pensions Act 1995, that all occupational pension plan trustees must prepare and maintain a written Statement of Investment Principles outlining policy on various investment matters (e.g., risk, balance between real and monetary assets, realisability of assets, etc.).

### **Theoretical contribution rate**

The employer’s contribution rate, including both future service rate and past service adjustment, which would be calculated on the standard actuarial basis, before any allowance for stabilisation or other agreed adjustment.

### **Transfer Value**

Capital value transferred to or from a scheme in respect of a contributor's previous periods of pensionable employment.

### **Unit Trust**

A method which allows investors' money to be pooled and used by fund managers to buy a variety of securities.

### **Valuation**

An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

### **Yield Curve**

A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates. For bonds, it typically compares the two- or five-year Treasury with the 30-year Treasury

## 11. Appendices

### a. Pensions Administration Strategy

# London Borough of Brent

## Pension Administration Strategy (PAS)

December 2018

### Contents

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#### 6. Fees - Appendix 1

**Appendix 2** – Regulation Extract

**Appendix 3** – Employers Guide

# **London Borough of Brent Pension Administration Strategy (PAS)**

## **1. Introduction**

The Local Pensions Partnership (LPP) started as the pension administrators for the Brent Pension Fund on 1 October 2018. The LPP perform their pension administration in a different way to the previous pension administrators and the PAS has been revised to take those changes into account.

In addition, the Pension Administration Strategy has been updated to take account of changes to the LGPS regulations and the guidance from The Pensions Regulator.

This revised Pension Administration Strategy applies to all employers, academies, and maintained schools (referred to as here as scheme employers or employers).

The aim of the revised Pension Administration Strategy is to ensure that the London Borough of Brent Pension Fund ("the Fund"), "the Administering Authority" (The London Borough of Brent), and employers work together to ensure that accurate data is submitted in a timely manner and member events are notified within the service level agreement set out in this document. The Fund's strategy is to work with employers to achieve this and to assist and support employers to do so.

## **2. Pension Administration Strategy Policy Statement**

### **2.1 Pensions Administration Strategy Statement**

The statement sets out the aims and objectives of the Pensions Administration Strategy and gives a summary of the major elements which make up the strategy.

### **2.2 Legislative context**

- Local Government Pension Scheme (Benefits, Membership and Contributions)
- Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and savings) Regulations 2013.

### **2.3 Aims**

In making this strategy the Funds aims are:

- To clarify the roles and responsibilities of the "Fund" and scheme employers in administering the Local Government Pension Scheme
- To ensure the services provided by the "Fund" are equitable and transparent
- To assist employers in the effective provision of necessary data.

### **2.4 Objectives**

The Pension Administration Strategy will meet those objectives by introducing a service level agreement between the "Fund" and scheme employers.

## 2.5 Documents which make up the strategy

Together with this statement the strategy is set out in the following documents:

Pensions Administration Strategy - Service Level Agreement

The service level agreement sets out the roles and responsibilities of the “Fund” and scheme employers.

Pensions Administration Strategy - Employer guide

The guide sets out the processes and procedures employers should follow in order to comply with their legal responsibilities under the LGPS regulations.

## 3. Service Level Agreement

### Pensions Administration Strategy - Service level agreement

#### 3.1 Employer Functions

The following functions have been designated employer functions. This means that they are outside the responsibilities of the administering authority. The “Fund” provides these services for a fee (staffing charges applied by the day or per hour) and the amounts are set out in Appendix 1.

There are no changes to these functions as a result of the revised strategy.

Task	Description
Redundancy and Severance	Calculation and payment of redundancy and/or severance payments
FRS 17	Provision of data required for FRS17 calculations
Cessation and interim valuation data	Provision of data required for interim and/or cessation valuations
Miscellaneous non LGPS	Any requests for advice or work which are outside of the requirements of an administering authority as defined by the LGPS regulations
Admission Agreements	Setting up and amendment of admission agreements
3 <sup>rd</sup> Party activity	Recharges will apply to any work for which a third party is required e.g lawyer or actuary, and the cost will be incurred by the employer

### 3.2 Actuarial Functions

The following functions have been designated actuarial functions that employers will require input from both the LPP and the Fund's Actuary Hymans Robertson. This means that they are functions which if required, must be provided by the LPP and/or Hymans Robertson.

As above, there are no changes to these functions as a result of the revised strategy.

Task	Description
Legal work & non-standard actuarial work	Any work in relation to this will require input from both the LPP and the Funds Actuary
Cessation valuations	Any work in relation to this will require input from both the LPP and the Funds Actuary
Employer actuarial valuations	Any work in relation to this will require input from both the LPP and the Funds Actuary
Academy conversion	Any work in relation to this will require input from both the LPP and the Funds Actuary
Valuation of unfunded liabilities	Any work in relation to this will require input from both the LPP and the Funds Actuary



### 3.3 Adminstrating Authority Functions

The following functions have been designated administrating authority functions since they relate directly to the core purpose of administering the scheme.

Also shown are the timescales we will complete the task within (from receipt of all information) and the on time target for each task.

<b>Case Type/Task</b>	<b>Limitation</b>	<b>Timescale (working days)</b>	<b>Target (% within timescale)</b>
Admissions	No	10	95%
Transfers In	No	10	95%
Transfer Out	No	15	95%
Estimates employee	No	10	95%
Retirements	No	5	95%
Deferred Benefits	No	10	95%
Refunds	No	10	95%
Deaths	No	5	95%
Correspondence	No	5	95%
PR update	No	20	95%
Queries to employer	No	15	95%

### 3.4 Employer Responsibilities

Employers will be responsible for the following functions/tasks to be performed/supplied in the manner and timescale set out below.

An employer guide can be found at Appendix 3.

<b>Payments of monies due</b>	<ul style="list-style-type: none"><li>• Monthly contributions – on time and the correct amount</li><li>• Payroll Recharge – on time, and the correct amount</li><li>• Capital Sums – on time, and the correct amount</li><li>• Single payments of contributions</li></ul>
<b>End of year error rates</b>  Examples of end of year errors <ul style="list-style-type: none"><li>• A missing joiner Form</li><li>• A missing leaver Form</li><li>• A missing change of hours</li><li>• A missing notification of absence</li><li>• Return from absence</li><li>• Missing additional contributions</li><li>• Significantly low/high pensionable remuneration compared to the previous year with no explanation as to the reason</li></ul>	Respond to errors within 10 working days of notification  If you are unable to respond in ten working days then inform the LPP of the likely time frame that you can respond in and advise Brent Pensions of the delay
<b>Submission of year end return</b>	You must submit your year end return by 30th April each year  If you are unable to submit your yearend return then inform the LPP of the likely time frame that you can provide it and the reason why and advise Brent Pensions of the delay
<b>Response to other queries raised</b> (e.g. by the LPP Pensions Services or Employer Services teams)  There are times where the LPP may need to confirm with you that a member's record is correct before issuing them with a benefit calculation. It is these types of queries that we are referring to	2 weeks from notification by the LPP Pensions Operations or Data Management teams  If unable to respond in 2 weeks then inform the LPP of the likely timeframe that you can respond in and advise Brent Pensions of the delay

<b>On-line access</b> <b>Employer LPP portal “YourFund”</b>	Use of online Forms for all relevant tasks
<b>Submission of joiners/leavers</b>	<ul style="list-style-type: none"> <li>• Notification of joiners within 1 month of joining the scheme</li> <li>• Notification of leavers within 1 month of leaving the scheme</li> <li>• Notification of retirement within 1 month prior to the last day of service</li> </ul>
<b>Notification of other changes during employment</b>	<ul style="list-style-type: none"> <li>• Relevant changes e.g. change of hours, absence notification online within 1 month of the event</li> </ul>
<b>Correct admission of members into the Fund</b>	You must ensure that you are correctly admitting members into the “Fund”
<b>Up to date discretions policies in place</b>	Discretionary policies to be in place and up to date
<b>Customer Relationship Management contacts</b>	<ul style="list-style-type: none"> <li>• LPP notified of contact change or new contact within 1 month via the employers contact form</li> </ul>

#### **4. Staff Charging Schedule**

The Fund’s staffing charges for work over and above the responsibilities of the administering authority as at December 2018.

VAT is charged on all applicable items.

<b>Staffing level</b>	<b>Charge per day excluding VAT</b>	<b>Charge per hour excluding VAT</b>
Admin Staff	£382.00	£53.00
Team Leader	£534.00	£78.00
Specialist	£534.00	£78.00
Manager	£727.00	£103.00
Senior Manager	£998.00	£142.00
Director	£1,470.00	£210.00

## **5. Pensions Administration Strategy – Charging**

### **5.1 Why we need to charge**

Whilst the vast majority of employers do provide accurate scheme data on time and process member pension events such as joiners and leavers, there remains a small cohort of employers who have not done so. The Pension Regulator is insistent that all employers comply with their legal duties and for the “Fund” to have in place a mechanism to impose a levy on employers who fail to do this. Following The Pension Regulator’s guidance the “Fund” has incorporated levies for non-compliance of these duties.

### **5.2 Circumstances on when we would charge**

The “Fund” has not set out to arbitrarily impose levies on employers for every minor infraction an employer makes in regards to providing scheme data and processing member’s events. The aim is for all employers to work together with the “Fund” and our pension administrator to comply with their legal duties. The service level agreement sets out the timeframes on how long particular functions should be completed by. The “Fund” recognises that there are times when this will not be met or be possible and it is not the Funds intention to automatically levy an employer for this, however employers are expected to remedy matters as soon as is practicable. Should it be the case that an employer persistently takes no regard of the Funds request to comply with their legal duties, and does not work with the Fund to overcome these shortcomings, then imposing a Levy on an employer would be considered (please note that it is the Funds aim is to actively engage with employers to provide them with support to bring them into line with meeting their legal duties before imposing a levy).

### **5.3 Monitoring after a Levy has been made on an employer**

Should it be the case that the “Fund” has imposed a levy on an employer, then that employer will be encouraged and supported to meet its legal duties. Their performance will be monitored and if they are complying with and continue to comply with their legal duties, then consideration will be made by the “Fund” to refund the Levy imposed on them by the “Fund”.

## **6. Fees – Appendix 1**

As a last resort and after trying to assist the employer with support or training, the “Fund” reserves the right to levy a fee on an employer whose performance consistently falls short of the standards set out in this document.

<b>Activities</b>	<b>Fees excluding VAT</b>
<b>Late payment of monthly contributions</b> - electronically after 22 <sup>th</sup> Calendar month following deduction and 19 <sup>th</sup> for cheques (Required by law)	£60 plus interest calculated on a daily basis
<b>Monthly Contributions</b> – non provision of the correct schedule of payments in stipulated Format and accompanying the respective contribution payment	£60 per occasion
<b>Change Notification</b> – failure to notify administrators of a change to a members working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absent without permission) – within 1 month of the change of circumstances	£60 per occasion
<b>Year End Data</b> – failure to provide year end data by 30th April following the year end	£235 initial fee then £95 for every month the information remains outstanding
<b>Year End Data Queries</b> – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale	£60 initial fee then £25 for every month the information remains outstanding
<b>New Starter</b> - failure to notify the administrator of a new starter within 1 month of joining the scheme	£60 initial fee then £25 for every month the information remains outstanding
<b>Leaver</b> – failure to notify the administrator of any leaver within 1 month of leaving the scheme	£60 initial fee then £25 for every month the information remains outstanding
<b>Retirees</b> – failure to notify the administrators when a scheme member is due to retire within 1 month before the retirement date	£60 initial fee then £25 for every month the information remains outstanding

<p><b>Late payment of pension benefits</b> – if due to an employer’s failure to notify the administrator of a scheme members retirement, interest becomes payable on any lump sum paid. The administrator will recharge the total interest paid to the employer</p>	<p>Interest charged in accordance with regulation 44 of the LGPS administration regulations</p> <p>Charged at Bank of England Base rate plus 1%</p>
<p><b>Change of employer contact details</b> - The “Fund” not notified of contact change or new contact within 1 month of alteration</p>	<p>£60 per occasion</p>
<p><b>Submission of pension contribution data</b> – The “Fund” not informed by the employer of not having submitted pension contribution data or contributions within the timelines set out in this agreement</p>	<p>£60 per occasion</p>

## **Appendix 2 - Regulation Extract**

### **LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013**

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

#### **Pension administration strategy**

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("its pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

**59. (1)** An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are-

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

#### *Payment by Scheme employers to administering authorities*

69.—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

- (a) all amounts received from time to time from employees under regulations 9 to 14 and 16 (contributions);
- (b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;
- (c) a contribution towards the cost of the administration of the fund; and
- (d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995(41); and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)(42).

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing—



- (a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),
  - (b) the total employee contributions deducted from the pensionable pay referred to in subparagraph (a),
  - (c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),
  - (d) the total employee contributions deducted from pensionable pay referred to in subparagraph (c),
  - (e) the total employer contributions in respect of the pensionable pay referred to in subparagraphs (a) and (c),
  - (f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and
  - (g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.
- (4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.
- (5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

*Additional costs arising from Scheme employer's level of performance*

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.
- (2) The administering authority may give written notice to the Scheme employer stating-
- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
  - (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
  - (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

## Background

- (A) The Administering Authority is an administering authority. It administers and maintains the Fund in accordance with the Regulations.
- (B) The Employer is a transferee admission body listed in Schedule 2 of the Administration Regulations.
- (C) In accordance with Regulation 59 of the Administration Regulations, the Administering Authority has prepared the Pension Administration Strategy Statement setting out amongst other things the Service Level Agreement.
- (D) In preparing the Pension Administration Strategy Statement, the Administering Authority consulted the employing authorities in the Fund (including the Employer), the Pensions Board, and such other persons it considered appropriate.

The Administering Authority published the Pension Administration Strategy Statement and sent a copy of it to each of the employing authorities in the Fund (including the Employer) and to the Secretary of State.

- (E) The Administering Authority will keep the Pension Administration Strategy Statement (including the Service Level Agreement) under review and will make such revisions as are appropriate following any material change in its policies in relation to any of the matters contained in the Pension Administration Strategy Statement.
- (F) The Administering Authority and the Employer have agreed to enter into this Agreement to document their agreement to comply with and be bound by the terms of the Service Level Agreement.

Now it is agreed as follows:

### 1. Interpretation

1.1 The following expressions have the following meanings:

<b>“1997 Regulations”</b>	the Local Government Pension Scheme Regulations 1997 (to the extent applicable by reason of the Transitional Regulations)
<b>“Administration Regulations”</b>	the Local Government Pension Scheme (Administration) Regulations 2008
<b>“Benefit Regulations”</b>	the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
<b>“Core Scheme Functions”</b>	the functions identified in the Service Level Agreement as being core Scheme functions
<b>“Fund”</b>	the Pension Fund

<b>“Pension Administration Strategy Statement”</b>	the Administering Authority’s statement prepared in accordance with Regulation 59 of the Administration Regulations as revised from time to time in accordance with that Regulation
<b>“Regulations”</b>	the Administration Regulations, the Benefit Regulations, the Transitional Regulations and the 1997 Regulations
<b>“Scheme”</b>	the Local Government Pension Scheme established by the Regulations made by the Secretary of State under sections 7 and 12 of the Superannuation Act 1972
<b>“Service Level Agreement”</b>	the section of the Pensions Administration Strategy Statement setting out the levels of performance which the Administering Authority and its employing authorities are expected to achieve in carrying out their Scheme functions including performance targets. The Service Level agreement may be revised from time to time as part of the Pensions Administration Strategy Statement. A copy of the Service Level Agreement current as at the date of this Agreement is included in the documentation
<b>“Transitional Regulations”</b>	the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 & 2013

1.2 Expressions have the same meaning as in the Regulations, except where the context otherwise requires.

1.3 Any reference in the Agreement to any law or piece of legislation shall include any subsequent amendment to it and any ancillary legislation made under it.

## **2. The Service Level Agreement**

2.1 With effect from the date of this Agreement, the Administering Authority and the Employer agree to use their best endeavours to comply with and be bound by the terms of the Service Level Agreement.

2.2 In consideration of this Agreement the Administering Authority will charge the Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.

2.3 If in the opinion of the Administering Authority the Employer has not complied with the terms of the Service Level Agreement the Administering Authority may charge the Employer a higher contribution towards the cost of the administration of the Fund.

2.4 When considering whether to charge the Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Administering Authority shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.

2.5 Clause 2.3 shall not affect the Administering Authority's ability under Regulation 70 of the Administration Regulations to give written notice to the Employer where it has incurred additional costs which should be recovered from the Employer because of the Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.

2.6 The Employer acknowledges that the Service Level Agreement may be revised from time to time by the Administering Authority in accordance with Regulation 59 of the Administration Regulations and that the Employer will comply with and be bound by the terms of the revised Service Level Agreement.

### **3. Other Charges**

3.1 The Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.

3.2 Where the Employer requests that the Administering Authority provides services beyond these functions the Administering Authority reserves the right to charge the Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time with the Administering Authority and the Employer.

### **4. Notices**

Any notices under this Agreement shall be in writing and shall be served by sending the same by first class post, fax, facsimile or by hand or leaving the same at the headquarter address of the Employer or the headquarter address of the Administering Authority.

### **5. Waiver**

Failure or neglect by the Administering Authority to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's rights nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's rights to take subsequent action.

### **6. More than one Counterpart**

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

### **7. Laws**

This Agreement will be governed by and interpreted in accordance with the laws of England and Wales.

Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

## **Appendix 3 – Employer Guide**

### **Employer Guide**

What the “Fund” and the LPP needs from you to administer your employees’ pensions, with accuracy and efficiency.

#### **Clean and accurate data**

This means that we need to know details of all changes to your employees regarding their pension.

This includes:

- Joining the scheme
- Changing their working hours and/or working weeks
- Any unpaid leave (i.e. authorised absences, whether maternity/paternity/adoption leave, or ordinary unpaid leave)
- Any unauthorised absences (these are automatically entered as breaks in service as the member is not allowed to repay pension contributions for that period)
- Any strike periods
- Any reductions in pay
- Leaving the scheme (whether opting out, normal leaver or retiring).

The above changes can be notified by completing the relevant online Form.

We also need accurate data for the end of year returns. This enables us to identify any missing data in our records quickly, thus enabling accurate valuation of the fund and thereby keeping employer contribution rates down.

#### **Brief Summaries of Actions needed**

##### **Joining the scheme**

The online Joining Form must be completed with the following information:

- date from which the member first had contributions deducted
- the contribution rate
- the weekly hours the member works, and, if appropriate, the weeks per year that they work
- what pensionable pay the member receives, and, if appropriate, the full-time equivalent pensionable pay
- confirmation that the member has a contract of employment that lasts at least three months.

##### **Change of hours**

The online Change of Hours Form must be completed when you need to inform the LPP that a member has changed their weekly working hours, their working weeks per year, or both. We will need to know the hours (and/or weeks) they are changing to, and also the hours (and/or weeks) that they have changed from to enable us to check that our records are completely up to date.

## **Sick Leave**

The LPP does not need to be informed if a member of the scheme is placed on reduced pay, or no pay due to sick leave.

## **Unauthorised Absence**

It is not common for an employee to have a leave of absence that is not authorised by their employer. However, if a member does have such a period, the LPP need to be informed as this period will not count towards the calculation of their benefits and they will not have the opportunity to repay the contributions for that period. Therefore, please complete the Unauthorised Absence online Form if such a situation occurs.

## **Unpaid leave (Including maternity/paternity/adoption leave)**

Any period of ordinary unpaid leave (or leave on reduced pay) that lasts less than 31 days does not need to be notified to LPP, although the member must have contributions for that period deducted from his pay on his return, and employer contributions must also be paid.

If the ordinary unpaid leave (or leave on reduced pay) lasts 31 days or more, then the LPP must be informed. The online Notification of Absence and Return from Absence Forms must be completed.

A strike period must be treated differently to ordinary unpaid leave, but it is not classified as unauthorised absence. The online Notification of Absence and Return from Absence Forms must be completed.

A member who goes on parental leaves must continue to have contributions deducted, but on the pay that they are actually receiving (including any statutory entitlement), not the pay they would have received, but for being on leave.

Once the member goes onto unpaid parental leave, the online Notification of Absence Form must be completed.

The LPP do not need to be informed if a member has a period of leave to enable them to perform jury service, but the contributions for that period must be paid by both employer and employee and must be based upon the pay that the member would have received if not performing jury service.

## **Leaving the scheme**

It is essential that the LPP receives accurate, timely information regarding a member's pay when they cease to contribute to the pension scheme. When a member leaves the scheme, please complete the online Leaver Form. The appropriate online Ill Health Declaration Form, must also be completed if the member is retiring on the grounds of ill-health.

A member who opts-out of the scheme with less than three months membership must have their pension contributions refunded to them and will be treated as never having been in the scheme. In such cases, please complete the online Leaver Form.

If a member leaves your employment with less than three months membership, their contributions will be refunded to them. Please complete the online Leaver Form.

## **Monthly remittance/end of year returns**

Each month a schedule of contributions paid must be completed with details of:

- Total pensionable remuneration against which contributions calculated
- The total employees' contributions
- The total employer's contributions
- Any cash payments that may be due from the employer
- The payment method and date.

The completed schedule of contributions paid and the contributions must be received by the Fund within 21 days of the end of the month, or 19 days for cheques, within which they were deducted from the employees' pay.

At the end of each year, a full submission of contributions must be submitted by each employer.

Please note that late submission of end of year returns will result in delayed annual benefit statements being sent to your employees, and could result in the Fund being incorrectly valued, leading to an increase in your employer contribution rate.

## **Using online Forms**

To fully co-operate with the terms of the Pension Administration Strategy, online Forms must be used. To enable you to do this, a member of staff must be nominated to be your "Site Administrator" who will be able to/responsible for:

- Set up new users and determine their access levels
- Reset usernames and password
- Unlock locked accounts
- Disable user accounts
- Keeping your organisation's contact details up to date.

In this way, you can retain control over who has access to the site and is able to input the information required. The Site Administrator will also be our first contact for any news on updates to the website.

Nothing in this guide can override the information given in the Employer's Guide, the provisions of the Pension Regulations, or related legislation. The guide was up-to-date at the time of publication in October 2018. It is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over a member's pension benefits, the appropriate legislation will prevail as this guide does not confer any contractual or statutory rights and is provided for information purposes only. The Fund will not be held responsible for any loss, damage or inconvenience caused as a result of any inaccuracy or error.

## **Online Forms**

Online Forms must be completed and the details immediately forwarded to the LPP to enter onto the relevant LPP systems. Any errors or inconsistencies in the data can be quickly identified and can be remedied.

## b. Employer Numbers Table

The table below shows the Brent employers and their members' details as at 31 March 2020

Employer	Active	Undecided Leaver	Deferred	Pensioner	Dependant	Frozen Refund
London Borough of Brent	3159	21	6583	5207	1000	812
Ark Elvin Academy	49		7	8	2	3
The Capita Pension & Life Ass.						
Age Concern			4	3		
Mencap			5	2		
Wettons South Ground Maintenance				3		
Wettons North Ground Maintenance			2	5		
Ark Academy	90		69	1	1	22
Torah Temimah Primary School			1			
Goldsborough H&N Svc Ltd			18	99	4	
Churchill Contracts Baces			1			
Churchill Contracts Day Centre	2		2	1		
Capital City Academy	53		68	11	3	4
North West London Jewish Day School		1	12	4		
Newman Catholic College	51		40	16	2	11
Kilburn Park School	16	1	24	1		4
Malorees Junior School	22		4	8		2
St Josephs Rc Primary School	55		31	15	5	6
Preston Manor High School			35	17	2	1
St Gregorys Rc School			5	13		
Copland Community School	9	1	27	33	1	
Convent Of Jesus & Mary Infant School	32		40	14	3	2
Claremont High School			17	12		1
Alpertown High School			33	22		
Oakington Manor	13		13	7	1	1
John Kelly Girls Technology College			6	7		
John Kelly Boys Technology College			15	2	1	1
Kingsbury High School			67	44	3	9
Queens Park Community School			24	10	1	4
National Autistic Society	40	3	120	106	6	3
Kilburn Skills			3	10	1	
Sudbury Neighbourhood Centre	10		6	16		
Brent Samaritans				1		
Brent Crossroads				2		
Pakistani Workers Association				1	1	



Brent Association Disabled People			1	3		
Harlesden Young Mums Project				2		
Harlesden Methodist Day Nursery						
Wise				1	2	
Sudbury Primary School	113		5	2		6
Leap	7		2	1		
Childcare				2		
Carequest				1		
Islamia Primary School	62		23	2		3
Claremont High School Academy	82		12	1		5
Brent Care At Home Ltd	1		9	73	8	
JFS School	73		26	12	1	4
Brent Housing Partnership Ltd			6	2		3
Wetton Clean Svc North Wembley				3		
Wetton Clean Svc South Wembley			1	1		
Jarvis Workspace Fm Ltd			1	1		
Wembley High Technology College	31		17	4	1	11
Willow Housing & Care Ltd	1					
Sanctuary Housing Association			1			
Alperton Community School	91		41	12	1	15
Furness Primary School	34		8	3		3
Oakington Manor Primary School	67		8	1		10
Queens Park Community School	56		19	6		7
The Crest Boys Academy			12	6		
The Crest Girls Academy			6	3		
Xerox UK Limited	1					
Capita						
Apleona Hsg Ltd	6		5	2		
Thames Reach Housing Ass			1			
Mount Stewart Jm School	37		9	4		5
Braintcroft Primary School	27		1	1		4
Brentfield Primary School	81		7	2		6
Carlton Vale Infant School	20		8	2		4
Christchurch CE Primary School	16		4	1		
Elsley Primary School	40		8	3		5
Gladstone Park Primary School				1		
Kingsbury Green Primary School	76		7	1		5
St Margarets Clitheroe School	22		2	8		1
College Green Nursery	18		2			3
Wykeham Primary School	30					
Vernon House				1		

Leopold School	90		11			14
St Andrew & St Francis Academy	41		2	1		
Veolia	45		10	10	1	
Veolia Ground Maintenance	2		1			
Conway Aecom Ltd	5		1			
Barnardos	31		16	2		3
Michaela Community School Academy	29		4	1		3
Preston Manor High School Academy	122		71	5		22
Ark Franklin Primary School	41		9	1		15
Convent Of Jesus & Mary Language College	39	1	18	2		4
Gladstone Park Primary School	62		13	4	2	4
Kingsbury High School Academy	143		15	4		16
The Crest Academy	55		12	3		5
Woodfield School Academy	26		9			14
North West London Jewish Day School Academy	29			3	1	1
St Gregorys Rc School Academy	38		13	3		4
Manor Park Academy	2					
Taylor Shaw	2		1			
Manor School Academy	102		5	2	1	6
Caterlink Ltd	2		1			
Anson Primary School	26		8	1		
Barham Primary School	56		7			6
Byron Court	35		3	1		1
Chalkhill Primary School	60		5			1
Curzon Crescent Children's Centre	21			1		1
Donnington Primary School	27		1	1		2
Fawood Children's Centre	25					
Fryent Primary School	57		3	4		3
Granville Childrens Centre	26		2			1
John Keeble CE School	39		1			
Lyon Park Infants School			2			
Lyon Park Juniors School	48		4	1		3
Malorees Infant School	26		2	1		1
Michael Sobell Sinai School	47		8			1
Mitchell Brook Primary School	63		10			4
Mora Primary School	19		2	1		2
Mount Stewart Infants	29		6			1
Newfield Primary School	25		8	2		
Northview Primary School	21	1	5			
Oliver Goldsmith	28		4			1
Our Lady Of Grace Rc Infants	19		1	2		

Our Lady Of Grace Rc Juniors	16		1			
Our Lady Of Lourdes Primary School	28		1			1
Park Lane Primary School	41		4	1		3
Phoenix Arch School Vernon House	13		2			1
Preston Park Primary	60		9	1		7
Princess Frederica CE Primary School	27		5			1
Roe Green Infant School	47		4			1
Roe Green Junior School	41		3			1
Salusbury Primary School	55		8			3
St Mary Magdalenes School	22			1		1
St Mary's CE School	21		3			1
St Mary's Rc School	17		1			5
St Robert Southwell Catholic School	45		4			1
Stonebridge Primary School	44		6	2		2
The Village School	145		19			6
Uxendon Manor School	40		1			1
Wembley Primary School	78		5			1
Harlesden Primary School	45		2			4
Compass Learning Partnership	27		2			2
St Joseph's Infant School	18		1			1
St Joseph's Junior School	18		1	1		1
	<b>7044</b>	<b>29</b>	<b>7910</b>	<b>5931</b>	<b>1055</b>	<b>1169</b>

c. Funding Strategy Statement

# London Borough of Brent Pension Fund

Funding Strategy Statement

March 2020

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## 1. Introduction

### **What is this document?**

This is the Funding Strategy Statement (FSS) of the London Borough of Brent Pension Fund (“the Fund”), which is administered by the London Borough of Brent, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from 31 March 2020.

### **What is the London Borough of Brent Pension Fund?**

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Brent Fund, in effect the LGPS for the Brent area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

### **Why does the Fund need a Funding Strategy Statement?**

Employees’ benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees’ contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers’ contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / Investment Strategy Statement (see [Section 4](#))

### How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member of the London Borough of Brent: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

### What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

**How do I find my way around this document?**

In [Section 2](#) there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a [glossary](#) explaining the technical terms occasionally used here.

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## 2. Basic Funding issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

### How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See [2.3](#) below, and the table in [3.3 Note \(e\)](#) for more details.

### What is each employer's contribution rate?

This is described in more detail in [Appendix D](#). Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

### What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

**Scheduled bodies** - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies’ membership in LGPS Funds.

**Designating employers** – some employers are able to participate in the LGPS via a resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

### How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in [Section 3](#) and [Appendix D](#)).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non ill-health early retirements must be paid by the employer, see [3.6](#).

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

### How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see [Appendix D](#), section [D5](#), for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term high level risk measures, whereas contribution-setting is a longer term issue.

### How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today

will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;

- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see [3.1](#)). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation ([see 3.3 Note \(b\)](#)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see [Appendix A](#).

**What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?**

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

[The LGPS Scheme Advisory Board \(SAB\) issued advice to LGPS funds in May 2019](#). As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an approximate allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this will be achieved by building in a slightly higher required likelihood of reaching funding target, all other things being equal.

The fund will reassess the employer contribution rates at the next formal valuation of the Fund. If the outcome of the McCloud case is then known, a more accurate allowance for the impact will be made at that time.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

**When will the next actuarial valuation be?**

On 8 May 2019 MHCLG issued a [consultation](#) seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

### 3. Calculating contributions for individual Employers

#### General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

#### The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and

- it may take longer to reach their funding target, all other things being equal.

Overleaf ([3.3](#)) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.

**The different approaches used for different employers**

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authorities	Academies	Other	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see <a href="#">Appendix E</a> )			Ongoing participation basis, but may move to “gilts exit basis” - see <a href="#">Note (a)</a>		Contractor exit basis, assumes fixed contract term in the Fund (see <a href="#">Appendix E</a> )
Primary rate approach	(see <a href="#">Appendix D – D.2</a> )					
Stabilised contribution rate?	Yes - see <a href="#">Note (b)</a>	Yes - see <a href="#">Note (b)</a>	No	No	No	No
Maximum time horizon – <a href="#">Note (c)</a>	19 years	19 years	19 years	19 years	Future working lifetime of actives	As per letting employer
Secondary rate – <a href="#">Note (d)</a>	% of payroll	% of payroll	Monetary	Monetary	Monetary	Monetary
Treatment of surplus	Covered by stabilisation arrangement		Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority			Reduce contributions by spreading the surplus over the remaining contract term if less than 4 years, else no reduction
Likelihood of achieving target – <a href="#">Note (e)</a>	70%	75%	70%	75%	80%	70%
Phasing of contribution changes	Covered by stabilisation arrangement		3 years	3 years	3 years	None
Review of rates – <a href="#">Note (f)</a>	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	<a href="#">Note (g)</a>	n/a	<a href="#">Note (h)</a>		<a href="#">Notes (h) &amp; (i)</a>
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per <a href="#">Note (j)</a> .			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see <a href="#">Note (i)</a> .		Participation assumed to expire at end of contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case low risk basis would apply. Letting employer



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Type of employer	Scheduled Bodies	Community Admission Bodies and Designating Employers	Transferee Admission Bodies
			liable for future deficits and contributions arising. See Note (i) for further details

### Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

### Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

Currently the only eligible Fund employer is the London Borough of Brent's Council Pool, although Academies will pay the same rate as the Council for at least the three years beginning 1 April 2020 (see Note (g)).

On the basis of extensive modelling carried out for the 2019 valuation exercise (see [Section 4](#)), the current stabilised rate for the Council Pool is a total contribution rate 35.0%, payable for the three years beginning 1 April 2020.

The stabilisation criteria and limits will be reviewed at the next formal valuation. This will take into account the Council's membership profile, whether stabilisation should continue to apply (and if so, whether this should be extended to other employers), and other relevant factors.

#### **Note (c) (Maximum time horizon)**

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

For employers with no (or very few) active members at this valuation, the deficit should be recovered by a fixed monetary amount over a period to be agreed with the body or its successor, typically not to exceed 3 years.

#### **Note (d) (Secondary rate)**

The Secondary contributions for each employer are typically expressed in monetary terms (as opposed to percentage of payroll). This is to avoid the situation where a stagnating or falling payroll results in insufficient secondary contributions being made over the three year period.

For certain employers, at the Administering Authority's discretion but currently including all Academies, these payments may instead be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large deficit recovery contribution rate (e.g. above 15% of payroll), in other words its payroll is a smaller proportion of its deficit than is the case for most other employers, or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

#### **Note (e) Likelihood of achieving funding target)**

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in [Appendix D](#).

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;

- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

#### **Note (f) (Regular Reviews)**

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

#### **Note (g) (New Academy conversions)**

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section [3.3](#) above;
- v. The new academy's actual contribution rate will be as per the Council rate, expressed purely as a percentage of pensionable pay. This applies whether or not the theoretical rate is above the Council rate. All other things being equal, this will mean some academies taking longer to pay off their deficit (where the theoretical rate is higher than the Council rate), or paying off the deficit more quickly (where the theoretical rate is below the Council rate).

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance or removal of the formal guarantee currently provided to academies by the DfE. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

### Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also [Note \(i\)](#) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

### Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

- i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit payable would be determined by the Administering Authority in accordance with the Regulations.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

redundancy and early retirement decisions.

### **Note (j) (Admission Bodies Ceasing)**

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;

- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) made by the Admission Body and any employer providing a guarantee to the Admission Body.

As discussed in Section 0, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply a [x%] loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in [Appendix E](#);
- Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore,, the Fund reserves the right to revert to the “gilts exit basis” and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

### **Pooled contributions**

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- LEA schools generally are also pooled with the Council. However there may be exceptions for specialist or independent schools.
- Academy schools may be pooled within their Multi Academy Trust (if this applies).
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.



Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

### **Additional flexibility in return for added security**

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

### **Non ill health early retirement costs**

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

Employers must make these additional contributions as a one off payment to the Fund in the financial year following the award of an early retirement. In exceptional circumstances, the Administering Authority may at its absolute discretion agree to spread the payment over a period not exceeding three years. If this is agreed, interest will be charged using factors provided by the actuary.

### **Ill health early retirement costs**

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see [3.8](#) below).

The cumulative cost of ill health retirements between actuarial valuations will in effect be reflected in the employer's results at the next valuation.

Where a different approach is adopted (eg regularly monitoring ill health experience and requesting contributions between valuations), details will be included in each that employer's Admission Agreement.

### **External ill health insurance**

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and

- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

### **Employers with no remaining active members**

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see [3.3](#), [Note \(j\)](#)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

### **Policies on bulk transfers**

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.
- Active members switching employment from one Fund employer to another will result in assets equal to the past service liabilities being reallocated between the employers, i.e. a "fully funded transfer". This means that the deficit at the point of transfer is retained by the ceding employer.

However, in the case of schools converting to academy status (i.e. the members switch from Council employment to the new Academy); the process is instead as per Note (g) to section 3.3 above. This is because the guidance from the Department for Education and the Department for Communities and Local Government anticipates that the past service deficit will be inherited by the new Academy.

## 4. Funding strategy and links to investment strategy

### **What is the Fund's investment strategy?**

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

### **What is the link between funding strategy and investment strategy?**

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

### **How does the funding strategy reflect the Fund's investment strategy?**

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix [A1](#)).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

### **Does the Fund monitor its overall funding position?**

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

## 5. Statutory reporting and comparison to other LGPS Funds

### Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

### Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

### Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

## Appendix A – Regulatory framework

### A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

*“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

### A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in October 2019 for comment;
- b) Comments were requested to be received no later than 31<sup>st</sup> January 2020;
- c) There was an Employers Forum on 13<sup>th</sup> November 2019 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and then published, in March 2020.

### A3 How is the FSS published?

The FSS is made available through the following routes:

A full copy included in the annual report and accounts of the Fund;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to employee representatives;

A summary issued to all Fund members;

Copies sent to investment managers and independent advisers;

Copies made available on request.

#### **A4 How often is the FSS reviewed?**

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

#### **A5 How does the FSS fit into other Fund documents?**

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at

<https://www.brent.gov.uk/your-council/transparency-in-brent/performance-and-spending/budgets-and-finance/pensions/>.

## Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

### **B1 The Administering Authority should:-**

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- prepare and maintain a FSS and a ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

### **B2 The Individual Employer should:-**

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

### **B3 The Fund Actuary should:-**

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));



- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

#### **B4 Other parties:-**

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

## Appendix C – Key risks and controls

### C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

### C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see <a href="#">3.9</a>).</p>
Effect of possible asset underperformance as a result of climate change	Covered in the Fund's Investment Strategy Statement

### **C3 Demographic risks**

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see <a href="#">Note (b)</a> to <a href="#">3.3</a>).</p> <p>For other employers, review of contributions is permitted in general between valuations (see <a href="#">Note (f)</a> to <a href="#">3.3</a>) and may require a move in deficit contributions</p>

Risk	Summary of Control Mechanisms
	from a percentage of payroll to fixed monetary amounts.

#### C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see <a href="#">Section 5</a> ).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

#### e) C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>

Risk	Summary of Control Mechanisms
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see <a href="#">Notes (h)</a> and <a href="#">(j)</a> to <a href="#">3.3</a>).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see <a href="#">Note (f)</a> to <a href="#">3.3</a>).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see <a href="#">Note (a)</a> to <a href="#">3.3</a>).</p>
<p>An employer ceasing to exist resulting in an exit credit being payable</p>	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

## Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

### **D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?**

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

### **D2 How is the Primary contribution rate calculated?**

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

0. meet the required funding target for all future years' accrual of benefits\*, excluding any accrued assets,
1. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),

2. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

\* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

### **D3 How is the Secondary contribution rate calculated?**

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)

at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)

with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

### **D4 What affects a given employer's valuation results?**

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;

9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

#### **D5 How is each employer's asset share calculated?**

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

In particular, with effect from 1 April 2019, the Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

#### **D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?**

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

f)



## Appendix E – Actuarial assumptions

### E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

## **E2 What assumptions are used in the ESS?**

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

## **E3 What assumptions are used in the funding target?**

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the “discount rate”)

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.6% p.a.	Long term government bond yields plus 1.6% (appropriate to the basis used to allocate assets to the employer on joining the Fund)	Long term government bond yields with no allowance for outperformance on the Fund's assets

g)

#### **E4 What other assumptions apply?**

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

##### **a) Salary growth**

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of short term restrictions plus longer term increases linked to price inflation; the agreed blended rate is RPI less 0.7% p.a.. This is the same assumption used at the previous valuation.

##### **b) Pension increases**

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

##### **c) Life expectancy**

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

#### **d) General**

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above) in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

## Appendix F – Glossary

<b>Administering Authority</b>	The council with statutory responsibility for running the Fund, in effect the Fund’s “trustees”.
<b>Admission Bodies</b>	Employers where there is an Admission Agreement setting out the employer’s obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see <a href="#">2.3</a> ).
<b>Covenant</b>	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
<b>Designating Employer</b>	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
<b>Employer</b>	An individual participating body in the Fund, which employs (or used to employ) <b>members</b> of the Fund. Normally the assets and <b>funding target</b> values for each employer are individually tracked, together with its <b>Primary rate</b> at each <b>valuation</b> .
<b>Funding basis</b>	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer’s time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
<b>Gilt</b>	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be “fixed interest”, where the interest payments are level throughout the gilt’s term, or “index-linked” where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
<b>Guarantee / guarantor</b>	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer’s <b>covenant</b> to be as strong as its guarantor’s.
<b>Letting employer</b>	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually

	be a local authority, but can sometimes be another type of employer such as an Academy.
<b>LGPS</b>	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
<b>Maturity</b>	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
<b>Members</b>	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
<b>Primary contribution rate</b>	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
<b>Profile</b>	The profile of an employer's membership or liability reflects various measurements of that employer's <b>members</b> , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its <b>maturity</b> also.
<b>Rates and Adjustments Certificate</b>	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal <b>valuation</b> . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
<b>Scheduled Bodies</b>	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
<b>Secondary contribution rate</b>	The difference between the employer's actual and <b>Primary contribution rates</b> . See <a href="#">Appendix D</a> for further details.
<b>Stabilisation</b>	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

**Valuation**

A risk management exercise to review the Primary and Secondary contribution rates, and other statutory information for a Fund, and usually individual employers too.

## d. Investment Strategy Statement

### ***Introduction and background***

This is the Investment Strategy Statement (“ISS”) of the London Borough of Brent Pension Fund (“the Fund”), which is administered by Brent Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 (“the Regulations”). The Regulations require administering authorities to prepare, publish, and when appropriate revise, a written statement recording the investment policy of the pension fund; they also stipulate certain key issues which must be covered in the Statement.

The ISS has been prepared by the Pension Fund Sub Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee in October 2020, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The previous review took place in 2019 and was approved by Committee on 27 February 2019. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.

The Fund has chosen to opt up and be classified as a Professional client as defined in the Markets in Financial Instruments Directive.

In December 2019, in line with the Competition and Market Authority’s Order, the Fund agreed a set of objectives with Hymans Robertson LLP. These will be reviewed on, at least, an annual basis.

### ***The suitability of particular investments and types of investments***

The Fund’s primary objective is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The funding position will be reviewed at each actuarial valuation, or more frequently as required.

The Committee aims to manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions are agreed by the employers to meet the cost of future benefits accruing.



For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

The Fund has the following funding principles:

- Ensure that sufficient resources are available to meet all benefit as they fall due for payment;
- Recover any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees;
- Enable employer contributions to be kept as stable as possible and at reasonable cost
- Maximise the returns from investments within reasonable risk parameters.

The Committee has translated its objectives, taking into account the funding principles outlined above, into a suitable long-term strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The investment strategy takes due account of the maturity profile of the Fund (e.g. in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile.
- The level of expected risk.
- Outlook for asset returns.

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate significantly from the target allocation (accepting that, given the nature of some of the underlying investments, it may take the Fund time to move to the long-term target allocation). This is covered in more detail later in this Statement.

Providing a framework for all investment decision making to enable delivery of the above key objectives are the Fund's investment beliefs. The Fund's currently held investment beliefs which have been updated during the last review are set out in the Appendix.

### **Strategic allocation**

The Fund's current assets include:

- Equities (UK and overseas)
- Diversified growth
- Government bonds
- Private equity
- Infrastructure
- Property
- Multi asset credit

The Fund is invested in these asset classes either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks when it is deemed appropriate to do so.

The Regulations require the Fund to set out the maximum percentage relative to the total value of all investments that it will invest in particular investments or classes of investment. The Fund's long-term strategic target investment allocation is set out in Table 1 below and includes the associated maximum percentage limits for each asset class associated with the long-term strategic targets. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

The Regulations also require the Fund to have regards to the diversification of its investments. The overall strategic benchmark comprises a mix of different assets which provides considerable diversification for the Fund. Table 1 outlines both the long-term target and the interim stage, reflecting the time it takes to fund new mandates. The table also includes the maximum percentage (reflected by the upper limit set for rebalancing) of total Fund value that it will seek to have invested in these assets.

The strategic balance of investment takes account of the risk/return characteristics of each asset class e.g. the potential for higher long term returns from equity is balanced against an expectation of higher levels of short term volatility from this asset class; and by looking at the strategy as a whole and the interaction of the asset classes the Fund holds.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a strategy not previously known to the Committee is proposed, appropriate advice is sought and training is provided to help the Committee reach an informed decision.

**Table 1: Fund allocation**

<b>Asset class</b>	<b>Interim Target allocation %</b>	<b>Long-Term Target allocation %</b>	<b>Upper limit for rebalancing %</b>
UK equities	53	50	65
Overseas equities			
Private Equity	5	0	7.5
<b>Total Growth</b>	<b>58</b>	<b>50</b>	<b>N/A</b>
Diversified Growth Funds	20	5	25
Infrastructure	5	15	20

Asset class	Interim Target allocation %	Long-Term Target allocation %	Upper limit for rebalancing %
Property	0	10	15
Private Debt	0	5	10
<b>Total Income</b>	<b>25</b>	<b>35</b>	<b>N/A</b>
Multi-asset credit	5	5	10
Government Bonds	10	10	15
Cash	2	0	5
<b>Total Protection</b>	<b>17</b>	<b>15</b>	<b>N/A</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>N/A</b>

The latest investment strategy review took place during February 2020. At this time the Committee agreed the following updates to the long-term strategic allocation:

- A 5% increase in the allocation to equities;
- A new 5% allocation to private debt;
- A decrease of 10% in the allocation to diversified growth funds (DGFs).

At the same time, long term allocations to property and infrastructure were maintained at the same level (10% and 15% respectively). The Committee is aware that private market investments take time to invest in, with money committed but not drawn down immediately. This investment phase can take several years. During this investment period the Fund will retain its exiting target allocation to DGFs which will be monitored and regularly assessed in anticipation of its longer-term reduction in size.

The Fund's actual investment arrangements will deviate from their target over time and therefore regular monitoring takes place to prevent too much deviation from the desired strategic allocation. The rebalancing arrangements in place set out in the final section of this report.

Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

## Restrictions on investment

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 have removed the previous restrictions that applied to the 2009 Regulations. The Fund has agreed a number of its own restrictions as set out in the table below. All other investment restrictions will be negotiated with fund managers or the London CIV, subject to the Fund receiving appropriate investment and/or legal advice.

**Table 2: Investment Restrictions**

Type of investment	Maximum investment by the Fund % of assets
1. Contributions invested in any single partnership	5%
2. Contributions invested in partnerships	30%
3. Cash deposits	10%
4. Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index tracking strategies)	15%
5. Total investment in illiquid assets	30%

## Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The managers of the passive funds in which the Fund invests hold a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

## ***Risk Measurement and Management***

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth oriented assets) to help it achieve its funding objectives. It has a risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

### **Funding risks**

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Environmental, social and governance ("ESG") – The risk that ESG related factors (including climate change) reduce the Fund's ability to generate the long-term returns and/or have implications on the Fund's liabilities.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a long-term strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Fund is a long-term investor and therefore, the Committee seeks to act as a responsible asset owner. Further details of the Fund's approach to managing ESG risks are set out later in this document.

The Committee seeks to mitigate systemic risk through holding a diversified portfolio, but appreciate it is not possible to make specific provision for all possible eventualities that may arise under this heading.

## Asset risks

- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. Also the risk that, due to the illiquid nature of the asset classes, the Fund cannot implement its agreed investment strategy on a timely basis.
- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has rebalancing arrangements to ensure, where possible, the Fund's "actual allocation" does not deviate substantially from its target.

The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.

By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term. The Fund also holds liquid diversifying assets over the period while the agreed exposure to less liquid alternatives are being built up.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a large proportion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. Other factors include, but are not limited to, the Committee believing that the manager is not capable of achieving these performance objectives in the future, and/or the manager's company status changes or there are significant staff changes to their investment team. The Fund also has regular correspondence with the London CIV regarding their managers and their approach to monitoring and assessing managers.

## **Other provider risk**

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist. Further details of the Fund's approach to pooling and relationship with the London CIV is provided in the section below.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement (Appendix C).

### ***The approach to pooling investments, including the use of collective investment vehicles and shared services***

The Fund is a participating scheme in the London Collective Investment Vehicle (CIV). The proposed structure and basis on which the London CIV will operate was set out in the July 2016 submission to government.

## **Assets to be invested in the pool**

The Fund's intention is to invest its assets through the London CIV as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 to government and is reviewed on a regular basis. The key criteria for assessment of Pool solutions will be as follows:

1. The pool enables access to an appropriate solution that is consistent with the beliefs, objectives and benchmark criteria set by the Fund and/or
2. There is a benefit to the Fund in investing in the solution offered by the pool.

At the time of preparing this statement the Fund has already invested the following assets via the London CIV (see table below).

Asset class	Manager
Diversified Growth Fund	Baillie Gifford
Diversified Growth Fund	Ruffer
Multi-asset Credit	CQS
Emerging Markets Equities	JP Morgan
Infrastructure	StepStone

In addition, the Fund has passive equity exposure to LGIM and BlackRock both of which have LGPS specific fee scales in place and have benefits of scale due to being pooled with the managers' other clients' assets. The LCIV consider these passive investments to fall under the pool umbrella.

In time, as set out in the indicative timetable for investing through the pool and in line with one of the Committee's stated beliefs, the intention is for all assets (subject to due diligence) to be transitioned into the London CIV. The exceptions to this are the Fund's passive assets and the Fund's existing investments in closed ended funds (which will run-off over time).

### **Structure and governance of the London CIV**

The July 2016 submission to government of the London CIV pool provided a statement addressing the structure and governance of the pool, the mechanisms by which the Fund can hold the pool to account and the services that will be shared or jointly procured. Over time the structure and governance of the Pool may evolve at which point the Fund will outline such details in the ISS. In the meantime, further information is provided on the London CIV's website (<https://londonciv.org.uk/>)

All participants of the CIV are both shareholders and investors in the London CIV company and the governance structure enables both formal and informal scrutiny.

### ***How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments***

The Committee recognise that ESG factors can influence long term investment performance and the Fund's ability to achieve long term sustainable returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects not only their own (as well as members) evolving beliefs but also the latest industry developments and regulations. In doing so the Committee will seek to ensure ESG is integrated into all strategic considerations.

The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.



In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- *Ongoing engagement is preferable to divestment*
- *We must act as responsible owners*
- *The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making*

More detail on these beliefs can be found in the appendix.

The Committee takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investment investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

## **The exercise of rights (including voting rights) attaching to investments**

### **Voting rights**

The Committee wishes to be an active shareholder and exercise its voting rights to promote and support good corporate governance principles, which in turn will feed through into good performance.

In practice, the Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on at least an annual basis.

## **Stewardship**

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis. The Governance and Compliance Statement can be found within the Fund's Annual Report.

The Committee is willing to consider potential investor collaboration opportunities if such opportunities offer the scope to improve engagement with companies and help increase the potential for long-term sustainable returns to be achieved. In the spirit of collective engagement, the Fund became a member of the Local Authority Pension Fund Forum (LAPFF) in 2020, through which it collectively exercises a voice across a range of corporate governance issues.

## **Appendix – Investment Beliefs**

**Clear and well defined objectives are essential to achieve future success** - the Committee is aware that there is a need to generate a sufficient level of return from the Fund's assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members' benefits as they fall due.

**Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection** - the Committee understands that having the appropriate strategy in place is a key driver of the Fund's future success. As a result, priority is given to more strategic investment matters. The Committee is aware that there is need to take investment risk in order to generate a sufficient level of return.

**Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy** – the Committee believes that as the funding position of the Fund improves, the level of risk taken by the Fund should reduce as appropriate i.e. only take as much risk as necessary. The Committee believes that there exists a relationship between the level of investment risk taken and the rate of expected investment return. In reducing risk, the Fund's expected return would typically also reduce.

**Long term investing provides opportunities for enhancing returns** - As a long-term investor it is important that the Fund acts as an asset owner. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid or may be subject to higher levels of volatility (a premium return is required for any such investments).

**Environmental, social and corporate governance ('ESG') issues can have a material impact on the long term performance of its investments** - the Committee recognises that ESG issues can impact the Fund's returns. The Committee commits to an ongoing development of its ESG policy to ensure it reflects latest industry developments and regulations and ESG is integrated into strategic considerations.

**Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes** - the Committee recognises that environmental issues can impact the Fund's returns. The Committee aims to be aware of, and monitor, financially material environmental-related risks and issues through the Fund's investment managers and advisors.

**Ongoing engagement is preferable to divestment** – The Committee believes that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement may be via our managers or alongside other investors (e.g. LAPFF). Where, over a considered period however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.

**We must act as responsible owners** – As asset owners in the 21st Century, we believe it is our responsibility to support the transition to a low carbon global economy, consistent with the aims of the Paris 2016 Climate Change agreement to limit temperature increases by 2050 to a maximum of 2°C degrees.

**The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making** – Investment managers are responsible

for implementing the Fund's strategy. In this role, the managers should reflect the Fund's desire for achieving long-term sustainable returns and improve corporate behaviour.

**Equities are expected to generate superior long term returns** - the Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. However the Committee also recognise that equities can be highly volatile over the short-term.

**Diversification reduces the overall volatility of the Fund's asset returns** - the Committee believes that diversification across asset classes can help reduce the volatility of the Fund's overall asset value and improve its risk-return characteristics. However, the Committee also recognise that there is scope to over diversify and that any desire to diversify needs to be aligned to the Fund's governance arrangements.

**Passive management has a role to play in the Fund's structure** - The Committee recognises that passive management allows the Fund to access certain asset classes (e.g. equities) on a low cost basis and when combined with active management can help reduce the relative volatility of the Fund's performance. There is a belief that passive management is most suitable for markets that are deemed as being more efficient such as developed market equities.

**Active management can add value but is not guaranteed** - the Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. There is a belief that active management is most suitable for markets that are deemed as being less efficient e.g. emerging market equities, specialist markets e.g. infrastructure or where views on the relative value of different asset classes are a targeted source of value e.g. DGF mandates.

**Private markets can offer opportunities** - Private markets can offer opportunities and give higher return due to higher illiquidity premia. However it is recognised that private markets can be more expensive, less transparent (e.g. fees and drivers of return), increase the Fund's governance burden and require ongoing maintenance to achieve target exposure. Such factors must be taken into account when considering such an allocation.

**Choice of benchmark index matters** - the Committee recognises that, for each asset class, there is a range of benchmark indices that they could use. As a result, the Committee focus on the benchmark's underlying characteristics and consider how they may be appropriate for the Fund.

**Rebalancing policies are important** – the Committee recognises that rebalancing the Fund's assets towards the strategic asset allocation is important in achieving the Fund's longer term objectives, in particular following a period of strong or weak market performance.

**Fees and transaction costs matter** - The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. It also does not seek to move in and out of investments regularly due to the cost drag. The Committee also seek to have transparency on the fees that it is paying to its providers.

**Governance “budget” matters** – The Committee recognises that the resources (and time) involved in deciding upon (and implementing) an investment strategy and structure play a part in any investment decisions made. A low governance approach to accessing markets is likely to be preferred if it can offer similar risk adjusted returns to alternative approaches.

**The London CIV is the Fund’s preferred approach to implementation** – the Committee recognises the potential benefits of LGPS pooling. Their preferred route is to implement their investment strategy via the London CIV, subject to carrying out suitable due diligence on the CIV’s investment offering.

## e. Communications Policy Statement

### **Introduction**

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

The Communications Strategy is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulation 2013. The provision requires the Administering Authority to:

- (1) Prepare, Maintain and publish a written statement setting out its policy concerning communications with:
  - (A) Members
  - (B) Representatives of members
  - (C) Prospective members
  - (D) Scheme employers
  
- (2) In particular the statement must set out its policy on:
  - (A) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
  - (B) the format, frequency and method of distributing such information or publicity; and
  - (C) the promotion of the Scheme to prospective members and their employers

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication.

### **Pension Fund Administration**

From October 2018, the London Borough of Brent delegated the pension administration service to Lancashire County Council (LCC) who have engaged the Local Pensions Partnership (LPP) to undertake their pensions portfolio. LPP was formed in 2016 through a collaboration between LCC and the London Pensions Fund Authority (LPFA) and provides pension services to the Local Government Pension Scheme, police, firefighters and other public sector funds.

## Communication Responsibilities and Resources

The provision of timely, relevant information in a suitable format is key to ensuring efficient and effective communications. It is important that we consider the costs in terms of resource and staff time for all communications and work with the LPP to ensure there are appropriate systems and processes in place to facilitate these communications with our stakeholders.

## Communications with Scheme Members

Our aims for communicating with our scheme members are:

- To better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team
- To encourage the use of the pension scheme website and registration to My Pension Online - Member Self Service.

The Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the Brent Pension Scheme website and Member Self Service
- Working with LPP to ensure communications are relevant and timely

Action	Audience	Media	End of Year Review 2020
Review and update the pension website <a href="https://www.yourpension.org.uk/Brent/Home.aspx">https://www.yourpension.org.uk/Brent/Home.aspx</a>	All	Web	
Promote the use of the pension website <a href="https://www.yourpension.org.uk/Brent/Home.aspx">https://www.yourpension.org.uk/Brent/Home.aspx</a>	All	Web	
Promote My Pension Online – Member Self Service	Active and Deferred	Web	
Explore the development of My Pensions Online – Member Self Service for pensioner members	Pensioner	Web	
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	

The pension scheme will provide the following communications as required, in addition to day to day individual communications with members.

<b>Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Distribution</b>	<b>Audience</b>
<a href="https://www.yourpension.org.uk/Brent/Home.aspx">https://www.yourpension.org.uk/Brent/Home.aspx</a> Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Post to home address for targeted communication	All
Forms	Web or paper	As required	Available to download or post to home address	All
Annual Benefit Statements	Web or paper if opted out of online statements	Annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred
Road shows/ Workshops	Face to face	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1 <sup>st</sup> pension payment and every April and May. Payslip sent if a variation in £3 or more	Post to home address	Pensioner
Notice of Pensions Increase	Paper / Electronic	Annually in April	Post to home address for those who opted out of e-communication and upload to <a href="http://www.yourpension.org.uk/Brent/Home.aspx">http://www.yourpension.org.uk/Brent/Home.aspx</a>	Pensioner



Communication	Media	Frequency of Issue	Distribution	Audience
Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

### Explanation of communications

**Pension Website** - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

**Scheme booklet** - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

**Newsletters** - Newsletters are issued as required, usually when a significant change to the scheme occurs. Pensions Increase newsletters are sent annually to advise pensioner members of the increase to their pension.

**Forms** – Many of the required LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and expression of wish form.

**Annual Benefit Statements** – For active members these include the current value of benefits as well as the projected benefits to their normal retirement date. The associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant. For deferred members these show the current value of the pension benefits, associated death benefits and details of any individuals the member has nominated to receive the lump sum death grant. These released at the end of August and are available on My Pension Online – Member Self Service. Members can opt out of the online service and elect to receive a paper copy sent to their home address.

**Pensioner payslips** – The payslips are sent when a member receives their first pension payment. They are posted to the pensioner's home address.

**Internal Disputes Resolution Procedure** – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPP pension administration team or the Brent Pensions Projects or Contracts Manager

**Annual Report and Accounts** – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the Brent Pensions website.

## Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPP administration team

The Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media	End of Year Review 2020
Ensure pension forms are included in starter packs	New employees	Electronic	
Review and update the pension website	All	Web	
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	

The pension scheme will work with employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Paper	On commencing employment	Via employers	New employees
<a href="https://www.yourpension.org.uk/Brent/Home.aspx">https://www.yourpension.org.uk/Brent/Home.aspx</a> Pension Website	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All

<b>Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Distribution</b>	<b>Audience</b>
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

### **Explanation of communications**

Pensions Joiner Option Form – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website.

### **Communications with Scheme Employers**

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding their funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers

The Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of Your Fund, the LPP's online submission portal
- on-going promotion of the employer section of the Brent pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2020
Maximise the use of the newly developed ERM employer communication database on Altair	Employers	System	
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face	
Review and update the pension website	Employer	Web	
Work with LPP and Scheme employers to implement Your Fund.	Employer	Web	
Work with LPP and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	

The pension scheme will provide the following communication to employers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	electronic	Annually	By email	All
Induction meeting	Face to Face	On becoming a scheme employer	By email	New scheme employers
Pension Website <a href="https://www.yourpension.org.uk/Brent/Home.aspx">https://www.yourpension.org.uk/Brent/Home.aspx</a>	Web	Continually available. Updated as required	Advertised on all communications	All

<b>Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Distribution</b>	<b>Audience</b>
Tupe Manual and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	Via email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All

### **Explanation of communications**

Contact sheet – A form distributed annually to all scheme employers to ensure contact details are kept up to date. Details are recorded on the ERM system on Altair

Induction Meeting – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities. An information leaflet is being updated to accompany the meeting and will be made available on the pension website once completed

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to review and develop this site in partnership with LPP

Tupe Manual and Admissions Policy – These documents are relevant to Letting Authorities that are looking to outsource a service to a third party supplier

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pensions website

Pension Fund Valuation Reports – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three year period

Funding Strategy Statement – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

## Communications with Representatives of Members

### *Pensions Committee*

Our aims for communicating with Pensions Committee are:

- To provide information to enable the Committee to make decisions delegated under the Council's constitution
- To provide information to ensure the Committee are kept informed of pension related matters
- To ensure the Committee are aware of their responsibilities in relation to the Scheme

The Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	Audience	Media	End of Year Review 2020
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	
To arrange required training as and when required	Pensions Committee Members	Face to Face	

The pension scheme will provide the following communication to Pensions Committee Members as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk website	Pension Committee Members and Trade Union representatives

<b>Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Distribution</b>	<b>Audience</b>
Pensions Committee Briefings	Face to face	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to face	When there is a new Pensions Committee and as and when required	By email	Pensions Committee Members and Trade Union representatives

### **Explanation of communications**

Pensions Committee Reports – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the Brent.gov.uk website

Pension Committee Briefings – Pension Fund officers attend each Committee meeting and provide a verbal briefing on each Committee report

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Training is shared with the Local Pension Board members where applicable

### ***Pensions Board***

Our aims for communicating with the Local Pensions Board are:

- To provide information to enable the board to assist the Scheme Manager in executing their duties
- To provide information to ensure the board are kept informed of pension related matters
- To provide training with regards to investment and administration matters

The Key actions will be:

- To submit reports on areas identified for review by the Board.
- To arrange training sessions with Fund officers, advisors and external experts when required

<b>Action</b>	<b>Audience</b>	<b>Media</b>	<b>End of Year Review 2020</b>
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	
To arrange required training as and when required	Local Pension Board	Face to Face and online	

The pension scheme will provide the following communication to the Pension Board as required.

<b>Communication</b>	<b>Media</b>	<b>Frequency of Issue</b>	<b>Distribution</b>	<b>Audience</b>
Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the Brent.Gov.uk and yourpension.org.uk websites	Local Pension Board
Local Pension Board Briefings	Face to face	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	Before each board meeting. Continual self- development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board



## **Explanation of communications**

Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

## **Other Stakeholders**

### ***Pension Fund Manager (Finance)***

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

### ***Local Pensions Partnership***

The scheme manager is responsible for monitoring the administration contract with the Local Pensions Partnership. Monthly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

### ***Investment Fund Managers***

Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

### ***Trade Unions***

Trade unions in the London Borough of Brent are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.