



## **Brent Pension Fund**

# **Annual Report and Accounts 2022/23**

Pensions Regulator Scheme Number: 10272080

## Contents

1. Chairman's Foreword .....	3
2. Management and Financial Performance.....	4
a. Scheme management and advisors .....	4
b. Risk management .....	6
c. Financial performance.....	8
3. Investment Policy and Performance .....	11
4. Asset Pools .....	15
5. Scheme Administration .....	17
6. Actuarial Information .....	22
7. Governance .....	25
8. Brent Pension Fund Accounts .....	29
9. Independent Auditor's Report.....	67
10. Glossary.....	72
11. Appendices.....	80
a. Pensions Administration Strategy .....	80
b. Employer Numbers Table .....	99
c. Funding Strategy Statement.....	104
d. Investment Strategy Statement.....	131
e. Communications Policy Statement.....	145

# 1. Chairman's Foreword

It is my pleasure to present the Annual Report and Accounts of the Brent Pension Fund for 2022/23.

The Fund has 6,061 contributors, 7,160 pensioners and 8,544 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 2022/23, the value of the Pension Fund's investments decreased to £1,116m (2021/22 £1,128m). This is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

Total contributions received from employers and employees was £68m for the year, an increase on the previous year's £64m. Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £48m, an increase on the previous year's £47m. As in 2021/22, 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 2022. This is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities and set employer contribution rates. During 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35% of pensionable pay. This is consistent with the Fund's deficit recovery plan to clear its deficit within 20 years of the balance sheet date. This Triennial Valuation revealed that the Fund's assets, at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This is an increase on the 78% funding level as at the March 2019 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 Robert Johnson**  
**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, Corporate Director, of Finance and Resources Ravinder Jassar, Deputy Director of Finance Sawan Shah, Head of Pensions George Patsalides, Finance Analyst Carlito Rendora, Interim Finance Analyst Kastur Varsani, Assistant Accountant
<b>Legal Advisers:</b>	In-house
<b>Custodian:</b>	Northern Trust
<b>Actuary:</b>	Hymans Robertson LLP
<b>Financial Adviser:</b>	Hymans Robertson LLP
<b>Fund Managers:</b>	Legal & General Capital Dynamics London CIV LCIV Diversified Growth – Baillie Gifford LCIV MAC – CQS LCIV Emerging Markets – JP Morgan LCIV Infrastructure Fund – Stepstone LCIV Absolute Return –Ruffer LCIV Private Debt Fund – Churchill/Pemberton Alinda BlackRock Fidelity UK Real Estate UBS
<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 57 of The Local Government Pension Scheme (Administration) Regulations 2013, all LGPS funds are required to publish an Annual Report. This document is the Annual Report and Accounts of the Brent Pension Fund for 2022/23.

## **The LGPS in brief**

- The LGPS is one of the largest public sector pension schemes in the UK, with 6.4 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 86 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 26. 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 Corporate Director of Finance and Resources.
- This report supports Brent Council's Annual Governance Statement, which is published at page 26.

### **Governance Compliance**

The Brent Pension Fund is fully compliant with the principles set out in the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) Regulation 55. The full compliance statement is at page 26.

### **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 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 2023**

**Chair:** Cllr R Johnson

**Other Members:** Cllr M Mitchell (Vice Chair)  
Cllr S Choudry  
Cllr S Kansagra  
Cllr R Hack  
Cllr T Miller

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

**Other attendees:** Minesh Patel, Corporate Director, of Finance and Resources  
Ravinder Jassar, Deputy Director of Finance  
Hymans Robertson LLP, 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.

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 summarised 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 Administration (LPPA).

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.

<b>Fund Manager</b>	<b>Type of Assurance</b>	<b>Control Framework</b>	<b>Compliance with Control</b>	<b>Reporting Accountant</b>
<b>Alinda</b>	ISAE 3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
<b>BlackRock</b>	ISAE 3402	Reasonable Assurance	Reasonable Assurance	Deloitte LLP
<b>Capital Dynamics</b>	ISAE 3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
<b>Fidelity</b>	ISAE 3402	Reasonable Assurance	Reasonable Assurance	PwC LLP
<b>London CIV</b>	Third-Party Controls Oversight	N/A	N/A	N/A
<b>LGIM</b>	ISAE 3402	Reasonable Assurance	Reasonable Assurance	KPMG LLP
<b>UBS</b>	ISAE 3402	Reasonable Assurance	Reasonable Assurance	EY

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

During 2022/23, no internal audits were carried out for the Pension Fund. In 2019/20, internal audit undertook a review of the Council's arrangements in regards to current investments, strategic asset allocation and compliance with DLUHC regulations (formerly MHCLG).

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 Investment Strategy Statement (see Appendix D). 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 five years is shown below. This shows that a net increase in the Fund's market value of £319m over the period.

This is mostly attributable to the change on market value of £266m over the period. During 2022/23, the Fund value decreased by £13.5m, which is largely due to a challenging economic environment with persistent high inflation and rising interest rates in which most asset classes have struggled.

<b>Financial Summary</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Contributions receivable	(54.9)	(65.2)	(66.8)	(70.9)	(73.8)
Benefits payable	47.7	54.2	47.6	52.7	55.6
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(7.2)</b>	<b>(11.1)</b>	<b>(19.2)</b>	<b>(18.2)</b>	<b>(18.2)</b>
Management expenses	6.8	3.8	4.2	4.3	4.1
Net of investment income and taxes on income	(1.4)	(1.2)	(0.7)	(1.1)	1.8
Change in market value	(61.7)	34.1	(176.1)	(88.1)	25.8
<b>Net (increase)/decrease in Fund Value</b>	<b>(63.5)</b>	<b>25.6</b>	<b>(191.8)</b>	<b>(103.1)</b>	<b>13.5</b>



## Analysis of Dealings with Scheme Members

As shown in the table below, net contributions from members has been positive over the past five years. Employer contributions have stayed broadly similar to previous financial year, this is due to no change in the main employer contribution rate. Transfers in have decreased due to fewer new members choosing to transfer in benefits. Transfers out have increased compared to last year, reflecting more members electing to remove their benefits from the scheme.

<b>Analysis of Dealings with Scheme Members</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
<b>Contributions receivable</b>					
Members	(9.2)	(8.5)	(9.5)	(9.7)	(10.6)
Employers	(42.9)	(51.5)	(51.4)	(54.4)	(56.9)
Transfers In	(2.8)	(5.2)	(5.9)	(6.8)	(6.3)
<b>Total</b>	<b>(54.9)</b>	<b>(65.2)</b>	<b>(66.8)</b>	<b>(70.9)</b>	<b>(73.8)</b>
<b>Benefits payable</b>					
Pensions	37.7	38.6	37.5	39.7	41.4
Lump sum retirement and death benefits	8.2	9.3	4.8	7.2	6.4
Transfers Out	1.7	6.2	5.3	5.7	7.6
Refunds to members leaving service	0.1	0.0	0.0	0.2	0.2
<b>Total</b>	<b>47.7</b>	<b>54.1</b>	<b>47.6</b>	<b>52.7</b>	<b>55.6</b>
<b>Net Dealings with Members</b>	<b>(7.2)</b>	<b>(11.1)</b>	<b>(19.2)</b>	<b>(18.2)</b>	<b>(18.2)</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.

<b>Analysis of Management Expenses</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Administration costs	1.2	1.1	1.8	1.6	1.4
Oversight and Governance costs	0.2	0.3	0.2	0.2	0.2
Other expenses	2.2	0.0	0.0	0.0	0.0
<b>Investment management expenses</b>					
Management fees	2.7	2.4	2.2	2.4	2.4
Custody fees	0.1	0.0	0.0	0.1	0.1
One-off transaction costs	0.4	0.0	0.0	0.0	0.0
<b>Total</b>	<b>6.8</b>	<b>3.8</b>	<b>4.2</b>	<b>4.3</b>	<b>4.1</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 2022/23 are set out in the table below.

<b>Annual Pensionable Pay</b>	<b>Rate</b>
Up to £16,500	5.5%
£16,501 to £25,900	5.8%
£25,901 to £42,100	6.5%
£42,101 to £53,300	6.8%
£53,301 to £74,700	8.5%
£74,701 to £105,900	9.9%
£105,901 to £124,800	10.5%
£124,801,001 to £187,200	11.4%
£187,201 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% in 2022/23.

Regulations state that contributions must be paid to the Fund by the 22nd day of the month following deduction. The Fund reserves to right to levy interest on an employer for the late payment of contributions. In 2022/23, this power was not exercised.

### 3. Investment Policy and Performance

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

During 2022/23, the following external investment managers managed the Fund's assets:

- Legal & General (UK and overseas equities)
- Capital Dynamics (Private equity and Infrastructure)
- LCIV Churchill/Pemberton (Private Debt)
- LCIV Baillie Gifford (Diversified Growth Fund)
- LCIV Ruffer (Diversified Growth Fund)
- LCIV CQS (Multi Asset Credit)
- LCIV JP Morgan (Emerging Markets)
- LCIV Stepstone (Infrastructure)
- Alinda (Infrastructure)
- Blackrock (UK Gilts and Global Low Carbon Equities)
- Fidelity (Property)
- UBS (Property)

The cash balance is deposited with money market funds.

#### 2022/23 Investment Results

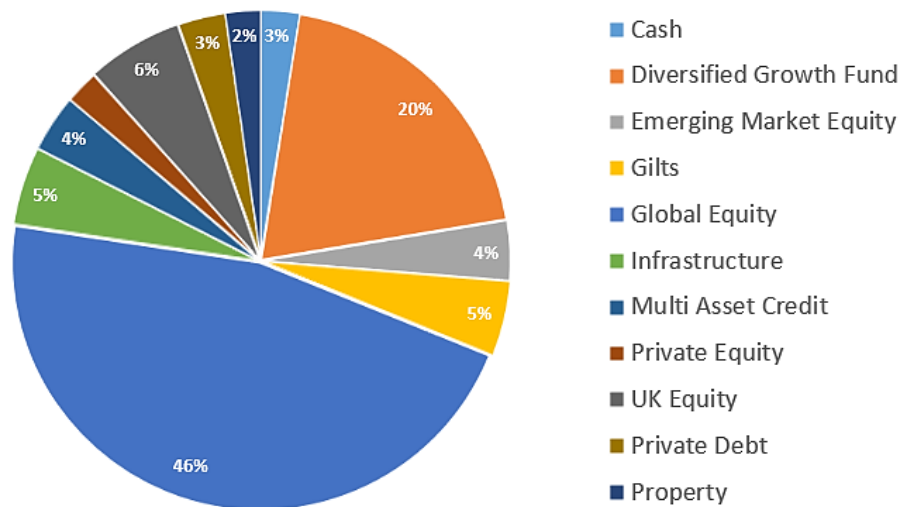
##### Asset Allocation and Fund Performance

The investment performance of the Brent Pension Fund in comparison to its benchmark for the period ended 31 March 2023 is shown below:

Time Period	Total Fund Return %	Fund Benchmark Return %
1 year	-2.6	-2.3
3 years	8.7	7.2
5 years	5.8	5.0

The current asset allocation includes allocations to passive UK and global equities, emerging market equities, diversified growth funds, infrastructure, longer dated gilts, multi-asset credit, private debt and UK commercial property. The allocation to private equity is currently being wound down. A further allocation to infrastructure was agreed in 2018/19 and investment in this mandate is being built up. The allocation to Private Debt is also being built up. During the year allocations to Low Carbon Equities and Property were topped up. It will be some time before funds are fully invested. The asset allocation as at 31 March 2023 is illustrated by the below chart.

## Asset Allocation at 31 March 2023



Overall, the fund delivered a negative return of -2.6% for the year. Positive returns were achieved in the final 3 quarters with negative returns in the first quarter. The majority of holdings struggled in the first quarter in a challenging environment, driven by the Fund's holdings in global equities and gilts. Returns in the final 3 quarters were driven by the Fund's growth holdings and the Fund's multi-asset investment with LCIV Absolute Return through Ruffer was a positive performer.

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

### Fund Holdings

Investment	Asset Class	Planned Asset Allocation (%)	Market value 31 March 2023 (£m)	Allocation at 31 March 2023 (%)	Last Year (%)		Last 3 Years (%)		Last 5 Years (%)	
					Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK Equities - L&G	UK Equity	50	69.8	6.25	3.0	2.9	13.9	13.8	4.7	4.8
Global Equities - L&G	Global Equity		488.2	43.73	-0.9	-0.8	16.9	16.9	11.3	11.3
UK Equities - London CIV	UK Equity		0.0	0.00	n/a	n/a	n/a	n/a	n/a	n/a
LCIV JP Morgan EM	Emerging Market Equity		43.3	3.88	-1.2	-4.9	10.8	7.9	-	-
Global Low Carbon Dev	Global Equity		28.1	2.52	-4.1	-1.0	-	-	-	-
DGF LCIV Baillie Gifford	Diversified Growth Fund	5	123.7	11.08	-8.5	4.4	3.8	2.9	1.5	3.2
DGF LCIV Ruffer	Diversified Growth Fund		98.6	8.83	1.3	4.4	9.4	2.9	6.1	3.2
LCIV Multi Asset Credit	Multi Asset Credit	5	41.9	3.75	-4.2	4.3	5.8	2.9	-	-
Blackrock - Over 15 year GILTS	Gilts	10	54.2	4.85	-29.7	-29.7	-16.3	-16.4	-	-
Private Equity - Capital Dynamics	Private Equity	0	24.4	2.19	-1.0	0.6	7.5	18.1	10.2	9.8
Infrastructure - Capital Dynamics	Infrastructure	15	2.6	0.23	12.2	12.1	-11.0	7.9	-3.1	7.3
Infrastructure - ALINDA	Infrastructure		17.2	1.54	26.7	12.1	10.0	7.9	7.7	7.3
Infrastructure - LCIV Stepstone	Infrastructure		36.8	3.30	15.7	12.1	4.7	7.9	-	-
LCIV Private Debt Fund	Private Debt	5	34.8	3.12	13.0	6.0	-	-	-	-
Fidelity UK Real Estate Fund	Property	10	13.7	1.23	-13.2	-14.1	-	-	-	-
USB Triton Property Fund	Property		11.4	1.02	-	-	-	-	-	-
Cash	Cash	0	27.7	2.48	-0.2	2.4	-0.1	0.9	0.0	0.8
<b>TOTAL</b>		<b>100.0</b>	<b>1116.4</b>	<b>100</b>	<b>-2.6</b>	<b>-2.3</b>	<b>8.7</b>	<b>7.2</b>	<b>5.8</b>	<b>5.0</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 63LGPS funds):

	Rank	Period ended 31 Mar 23	PIRC Local authority Average
1 year	38	-2.6	-1.6
3 years	63	8.7	9.5
5 years	48	5.8	5.9
10 years	76	6.6	7.3

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:

	Rank	Rolling 3-year return
2022/23	63	8.7
2021/22	61	8.2
2020/21	72	7.6
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 104.

### 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 131 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.

### **Responsible Investment Policy**

The Fund's responsible investment policy formalises the Fund's Responsible Investment beliefs and principles and the approach the Fund is taking to fulfilling its commitments. The statement can be found at the following link:

<https://democracy.brent.gov.uk/documents/s125921/Appendix%201%20-%20Brent%20RI%20policy%20paper.pdf>

## 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 £14.3bn of LGPS assets under management as at 31 March 2023 and a further £12.5bn pooled under passive arrangements. London CIV's annual review for the year ended 31<sup>st</sup> March 2023 can be found at: <https://londonciv.org.uk/reports-and-regulatory-information>

### Pooled assets

Overall, the Fund continued to increase the investments it has made through the London CIV. During 2022/23, the Fund's investments in the London CIV infrastructure fund and London CIV Private Debt fund continued to be built up. In line with standard industry practice for infrastructure and private debt investments, it will be some time before funds are fully invested. The Fund also made further investment in a low carbon passive equity holding through Blackrock.

As at 31/03/2023, the Fund had 6 investments with the London CIV: Emerging Market equities (through JP Morgan), Diversified Growth Funds (Baillie Gifford/Ruffer), Multi Asset Credit (CQS), Infrastructure (Stepstone) and Private Debt (Churchill/Pemberton). Additionally, the Fund's passive equity investments through Legal and General/Blackrock 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 (Legacy) and Cash are managed by the London CIV asset pool. The table below shows the pooling status of the Fund's investments grouped by asset class:

Asset Class	Pooled £m	Non-pooled £m	Total £m
Global Equities	559.6		559.6
UK Equities	69.8		69.8
Diversified Growth Fund	222.3		222.3
Fixed Income	96.1		96.1
Private Equity		24.4	24.4
Infrastructure	36.8	19.8	56.6
Private Debt	34.8		34.8
Property		25.1	25.1
Cash		27.7	27.7
<b>Total</b>	<b>1019.4</b>	<b>97.0</b>	<b>1116.4</b>
<b>Investment Management Costs</b>	<b>1.8</b>	<b>0.7</b>	<b>2.5</b>

Investment management costs totalled £2.5m in 2022/23 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 2022/23 and since inception:

Type of Cost	2022/23 £'000	Cumulative £'000
<b>Set up costs</b>		
Shareholding at cost	0	150
Development Funding Charge	85	460
Annual Service Charge	25	200
<b>Ongoing investment management costs</b>		
Investment management costs*	52	179
<b>Total</b>	<b>162</b>	<b>989</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: [info@londonciv.org.uk](mailto:info@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 85.8%. This is lower than in recent years due to spikes in casework following the migration of IT systems that took place during the year for all LPP clients.

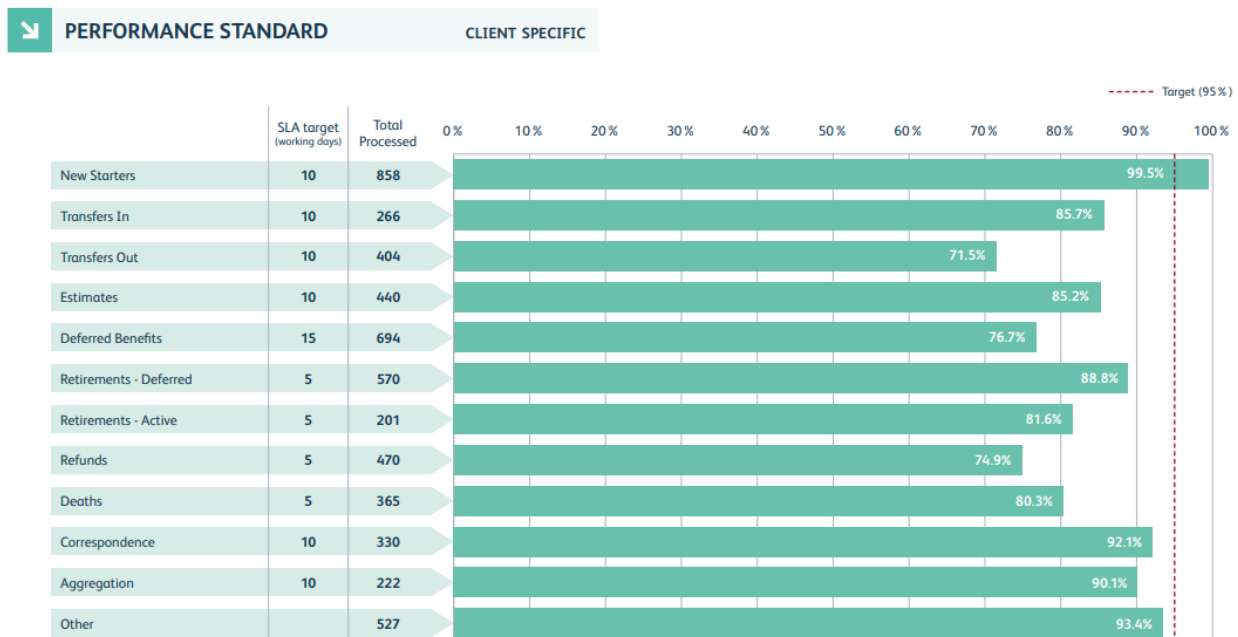
### **Summary of Activity**

#### **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 cases received and completed by category for the year 1 April 2022 to 31 March 2023.



## Staffing

LPP currently has 6.5 FTE working on Brent administration with a ratio of 1 member of staff to 6,669 fund members. The team completed a total of 5,347 cases include other contractual cases outside of the top 13 for the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023, which averages 825 cases per staff member.

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 0300 323 0260 or by writing to Local Pensions Partnership, PO Box 1383, Preston, PR2 0WR.

## 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 50 complaints received during the year, broken down by quarter below.

Quarter	Number of complaints
Q1	8
Q2	9
Q3	13
Q4	20
<b>Totals</b>	<b>50</b>

## Dispute resolution procedure

There were 5 Internal Dispute Resolutions received during the period 1st April 2022 to 31st March 2023.

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 0300 323 0260 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. Additionally, data quality is reviewed by the Pension Board on a regular basis. The annual common and conditional data accuracy rate at the end of March 2023 is shown in the table below.

### Annual common and conditional data accuracy rate as at March 2023

COMMON DATA				CLIENT SPECIFIC				CONDITIONAL DATA		CLIENT SPECIFIC	
Data Item	Active	Deferred	Pensioner / Dependant					Data Item	Fails		
Invalid or Temporary NI Number	3	78	24					Divorce Records	0		
Duplicate effective date in status history	0	8	9					Transfer In	105		
Gender is not Male or Female	0	0	0					AVC's/Additional Contributions	25		
Duplicate entries in status history	10	33	20					Deferred Benefits	8		
Missing (or known false) Date of Birth	0	0	0					Tranches (DB)	0		
Date Joined Scheme greater than first status entry	10	0	4					Gross Pension (Pensioners)	56		
Missing Surname	0	0	0					Tranches (Pensioners)	0		
Incorrect Gender for members title	0	0	0					Gross Pension (Dependants)	78		
Invalid Date of Birth	5	0	0					Tranches (Dependants)	78		
No entry in the status history	2	0	0					Date of Leaving	163		
Last entry in status history does not match current status	13	6	1					Date Joined Scheme	167		
Member has no address	22	527	32					Employer Details	3		
Missing Forename(s)	0	6	1					Salary	219		
Missing State Retirement Date	0	0	0					Crystallisation	280		
Missing postcode	22	570	57					Annual Allowance	152		
Missing Date Joined Pensionable Service	1	0	0					LTA Factors	99		
<b>Total Fails</b>	<b>88</b>	<b>1,228</b>	<b>148</b>					Date Contracted Out	5		
<b>Individual Fails</b>	<b>62</b>	<b>667</b>	<b>99</b>					Pre-88 GMP	699		
<b>Total Members</b>	<b>6,062</b>	<b>10,119</b>	<b>7,160</b>					Post-88 GMP	532		
<b>Accuracy Rate</b>	<b>99.0%</b>	<b>93.4%</b>	<b>98.6%</b>					<b>Total Fails</b>	<b>2,669</b>		
<b>Total accuracy rate</b>								<b>Individual Fails</b>	<b>2,420</b>		
								<b>Total Members</b>	<b>23,341</b>		
								<b>Accuracy Rate</b>	<b>89.6%</b>		

## Financial Indicators

### Unit Costs per Member

	2021/22	2022/23
<b>Investment Management Expenses</b>		
<b>Total Costs £'000s</b>	2,472	2,550
<b>Total Membership Numbers</b>	22,993	23,341
<b>Cost per member £</b>	107.51	109.25
<b>Administration Expenses</b>		
<b>Total Costs £'000s</b>	1,588	1,342
<b>Total Membership Numbers</b>	22,993	23,341
<b>Cost per member £</b>	69.06	57.50
<b>Oversight and Governance Costs</b>		
<b>Total Costs £'000s</b>	237	219
<b>Total Membership Numbers</b>	22,993	23,341
<b>Cost per member £</b>	10.31	9.38
<b>Total cost per member £</b>	186.88	176.13

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.

	2021/22	2022/23
<b>Number of full time equivalent staff</b>	6.3	6.5
<b>Total fund membership</b>	22,993	23,341
<b>Number of fund members to one member of administration staff</b>	3,650	3,591

### 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 2022-23.

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 Appendix B 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 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022.

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 2022 were valued at £1,134m were sufficient to meet 87% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £162m.

During 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35% 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 version of the actuarial report can be obtained below:

[https://legacy.brent.gov.uk/media/16420650/230331-london-borough-of-brent-pension-fund-2022-final-valuation-report.pdf?\\_ga=2.75412560.377455594.1693473320-2002706944.1684229698](https://legacy.brent.gov.uk/media/16420650/230331-london-borough-of-brent-pension-fund-2022-final-valuation-report.pdf?_ga=2.75412560.377455594.1693473320-2002706944.1684229698)

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

#### **Actuarial Statement for 2022/23**

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). In summary, the key funding principles are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of 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 20 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 20 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 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,134 million, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £162 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 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 2022 valuation were as follows:

#### Financial Assumptions for the 2022 Valuation of The Fund

<b>Financial assumptions</b>	<b>31 March 2022</b>
Discount rate	4.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.7%

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

#### Life Expectancy Assumptions for the 2022 Valuation of The Fund

Type of Pensioner	Males' Average Life Expectancy	Females' Average Life Expectancy
Current Pensioners	22.1 years	24.8 years
Future Pensioners*	23.4 years	26.3 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

### **Experience over the period since 31 March 2023**

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Craig Alexander FFA

18 May 2023

For and on behalf of Hymans Robertson LLP



## 7. Governance

### Annual Governance Statement

The Local Government Pension Scheme Regulations 2013 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 Corporate Director, Finance and Resources 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 2022/23 included:

- Investment Basics
- Current issues and themes
- Actuarial valuation
- Asset-Liability Modelling
- Long-Term Asset Allocation and Diversification
- Property Training

### Use of advisers

The Corporate Director, Finance and Resources, Deputy Director of Finance and Head of Pensions 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 2013.

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>	<p>Full compliance. The Pension Fund Sub-Committee includes a representative of the other employers in the Fund and contributor members.</p> <p>The Fund's investment adviser attends Pension Fund Sub-Committee meetings. Independent professional observers are not regarded as appropriate.</p>

<b>Ref.</b>	<b>Principles</b>	<b>Compliance and comments</b>
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 the justification for not extending voting rights to each body or group represented on main LGPS committees.	Full compliance. All representatives on the Pension Fund Sub-Committee 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. Employers' forums are arranged for employers.
<b>G</b>	<b>Access</b>	

<b>Ref.</b>	<b>Principles</b>	<b>Compliance and comments</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.
<b>I</b>	<b>Publicity</b>	
	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.

# Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2023

2021/22 £m		Notes	2022/23 £m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(64.1)	Contributions	7	(67.5)
(6.8)	Transfers in from other pension funds	8	(6.3)
(70.9)			(73.8)
46.8	Benefits	9	47.8
5.9	Payments to and on account of leavers	10	7.8
<b>52.7</b>			<b>55.6</b>
(18.2)	<b>Net (additions)/withdrawals from dealings with members</b>		(18.2)
4.3	Management expenses	11	4.1
(13.9)	<b>Net (additions)/withdrawals including management expenses</b>		(14.1)
	<b>Returns on investments</b>		
(1.1)	Investment income	12	(1.1)
0.0	Taxes on income	13	2.9
(88.1)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	25.8
(89.2)	<b>Net return on investments</b>		<b>27.6</b>
(103.1)	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>13.5</b>
(1,030.7)	<b>Opening net assets of the scheme</b>		(1,133.8)
(1,133.8)	<b>Closing net assets of the scheme</b>		(1,120.3)

## Net Assets Statement

31 March 2022 £m		Notes	31 March 2023 £m
1,127.7	Investment assets	14	1,116.1
<b>1,127.7</b>			<b>1,116.1</b>
8.6	Current assets	20	8.1
(2.5)	Current liabilities	21	(3.9)
<b>1,133.8</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,120.3</b>

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2023 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 (LGPS) 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 42 employer organisations with active members within the Brent Pension Fund at 31 March 2023, 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  
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  
Roundwood School and Community Centre  
St Andrews and St Francis School  
St Claudine's Catholic School for Girls  
St Gregory's RC High School  
St Margaret Clitherow  
Sudbury Primary School  
The Village School  
Wembley High Technology College  
Woodfield School Academy

**Admitted bodies**

Barnardos  
CATERLINK LTD  
Conway Aecom Ltd  
DB Services  
FM Conway  
Local Employment Access Project (LEAP)  
National Autistic Society (NAS)  
Prospects Services (BR)  
Sudbury Neighbourhood Centre  
Taylor Shaw  
Veolia  
Veolia (Ground Maintenance)



<b>31-Mar-22</b>	<b>Brent Pension Fund</b>	<b>31-Mar-23</b>
44	Number of employers with active members	42
	<b>Number of employees in scheme</b>	
4,399	Brent Council	4,303
1,640	Other employers	1,758
<b>6,039</b>	<b>Total</b>	<b>6,061</b>
	<b>Number of pensioners</b>	
6,210	Brent Council	6,341
757	Other employers	819
<b>6,967</b>	<b>Total</b>	<b>7,160</b>
	<b>Deferred pensioners</b>	
7,188	Brent Council	7,218
1,280	Other employers	1,326
<b>8,468</b>	<b>Total</b>	<b>8,544</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 2023. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. During 2022/23, 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 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 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***

## 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 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<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 0.1% p/a decrease in the discount rate assumption would result in an increase in the pension liability of approximately £24m. A 0.1% increase in Pension Increase Rate (CPI) would increase the value of liabilities by approximately £23m, and a one-year increase in assumed life expectancy would increase the liability by around 4% (c. £55m).
<b>Private equity / infrastructure / private debt</b>	Private equity/infrastructure/private debt investments are valued based on the latest available information, updated for movements in cash where relevant. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure/private debt investments in the financial statements are £116m. There is a risk that this investment may be under- or overstated in the accounts up to 17% (an increase or decrease of £20m).

## 6. Events after the Reporting Date

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### By category

	2021/22	2022/23
	£m	£m
Employees' Contributions	9.7	10.6
Employers' Contributions:		
Normal contributions	49.9	55.0
Deficit recovery contributions	1.7	0.0
Augmentation contributions	2.8	2.0
Total Employers' contributions	54.4	57.0
<b>Total contributions receivable</b>	<b>64.1</b>	<b>67.6</b>

### By authority

	2021/22	2022/23
	£m	£'000
Administering Authority	50.7	54.4
Scheduled bodies	11.9	12.7
Admitted bodies	1.4	0.5
<b>Total</b>	<b>64.1</b>	<b>67.6</b>

## 8. Transfers in from other pension funds

	2021/22	2022/23
	£m	£m
Individual transfers	6.8	6.3
<b>Total</b>	<b>6.8</b>	<b>6.3</b>



## 9. Benefits payable

### By category

	2021/22	2022/23
	£m	£m
Pensions	39.7	41.4
Commutation and lump sum retirement benefits	6.1	6.1
Lump sum death benefits	1.1	0.3
<b>Total</b>	<b>46.8</b>	<b>47.8</b>

### By authority

	2021/22	2022/23
	£m	£m
Administering Authority and Scheduled bodies	46.5	47.5
Admitted bodies	0.3	0.3
<b>Total</b>	<b>46.8</b>	<b>47.8</b>

## 10. Payments to and on account of leavers

	2021/22	2022/23
	£m	£m
Refunds to members leaving service	0.2	0.2
Individual transfers	5.7	7.6
<b>Total</b>	<b>5.9</b>	<b>7.8</b>

## 11. Management Expenses

	2021/22	2022/23
	£m	£m
Administration costs	1.6	1.4
Investment management expenses	2.5	2.5
Oversight and Governance costs	0.2	0.2
<b>Total</b>	<b>4.3</b>	<b>4.1</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 £38k (£38k 2021/22).

### a) Investment management expenses

	2021/22	2022/23
	£m	£m
Management fees	2.4	2.4
Custody fees	0.1	0.1
<b>Total</b>	<b>2.5</b>	<b>2.5</b>

Fund Manager	2022/23 Total £m	Management fees £m	Custody fees £m	One-off transaction costs £m
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.1	0.1	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.0	0.0	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.1	0.1	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
UBS Triton	0.1	0.1	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2.5</b>	<b>2.4</b>	<b>0.1</b>	<b>0.0</b>

## 11. Management Expenses

<b>Fund Manager</b>	<b>2021/22 Total £m</b>	<b>Management fees £m</b>	<b>Custody fees £m</b>	<b>One-off transaction costs £m</b>
Alinda	0.2	0.2	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.1	0.1	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.1	0.1	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.0	0.0	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2.5</b>	<b>2.4</b>	<b>0.1</b>	<b>0.0</b>

## 12. Investment income

	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Dividend income from private equities/infrastructure/property	0.4	0.3
Interest income from private equities/infrastructure/private debt	0.7	0.5
Interest on cash deposits	0.0	0.3
<b>Total</b>	<b>1.1</b>	<b>1.1</b>

## 13. Taxes on income

	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Withholding tax	0.0	2.9
<b>Total</b>	<b>0.0</b>	<b>2.9</b>

## 14. Investments

	Market value 31 March 2022	Market value 31 March 2023
<b>Investments asset</b>		
Pooled investments	986.6	947.9
Pooled property investments	15.7	25.0
Private equity/infrastructure/private debt	101.3	115.7
	<u>1,103.6</u>	<u>1,088.6</u>

14a. Investments 2022/23	Market value 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2023
	£m	£m	£m	£m	£m
Pooled investments	986.6	13.0	(13.0)	(38.7)	947.9
Pooled property investments	15.7	0.0	0.0	9.3	25.0
Private equity/infrastructure /private debt	101.3	26.2	(15.4)	3.6	115.7
	<u>1,103.6</u>	<u>39.2</u>	<u>(28.4)</u>	<u>(25.8)</u>	<u>1,088.6</u>
<b>Other investment balances: Cash Deposit</b>	24.1				27.5
<b>Investment income due</b>	0.0				0.0
<b>Net investment assets</b>	<u>1,127.7</u>				<u>1,116.1</u>

Investments 2021/22	Market value 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£m	£m	£m	£m	£m
Pooled investments	897.4	15.0	(1.6)	75.8	986.6
Pooled property investments	0.0	15.0	0.0	0.7	15.7
Private equity/infrastructure	81.1	37.8	(29.2)	11.6	101.3
	<u>978.5</u>	<u>67.8</u>	<u>(30.8)</u>	<u>88.1</u>	<u>1,103.6</u>
<b>Other investment balances: Cash Deposit</b>	53.8				24.1
<b>Investment income due</b>	0.0				0.0
<b>Net investment assets</b>	<u>1,032.3</u>				<u>1,127.7</u>

#### 14b. Analysis of investments by category

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£m</b>	<b>£m</b>
<b>Pooled funds - additional analysis</b>		
<b>UK</b>		
Fixed income unit trust	43.7	41.9
Unit trusts	145.1	124.2
Diversified growth funds	232.5	222.3
<b>Overseas</b>		
Unit trusts	565.3	559.5
<b>Total Pooled funds</b>	<u>986.6</u>	<u>947.9</u>
<b>Pooled property investments</b>	15.7	25.0
<b>Private equity/infrastructure/private debt</b>	<u>101.3</u>	<u>115.7</u>
<b>Total investments</b>	<u><u>1,103.6</u></u>	<u><u>1,088.6</u></u>

#### 14c. Analysis of investments by fund manager

			Market Value	
<b>31 March 2022</b>			<b>31 March 2023</b>	
<b>£m</b>	<b>%</b>	<b>Fund manager</b>	<b>£m</b>	<b>%</b>
573.9	52.0%	Legal & General	557.9	51.2%
0.2	0.0%	London CIV	0.2	0.0%
43.8	4.0%	LCIV - JP Morgan	43.3	4.0%
36.2	3.3%	Capital Dynamics	27.0	2.5%
135.1	12.2%	LCIV - Baillie Gifford	123.7	11.4%
97.4	8.8%	LCIV - Ruffer	98.6	9.1%
43.7	4.0%	LCIV - MAC (CQS)	41.9	3.8%
21.4	1.9%	LCIV - Infrastructure	36.8	3.4%
20.3	1.8%	LCIV - Private Debt	34.8	3.2%
23.4	2.1%	Alinda	17.1	1.6%
15.7	1.4%	Fidelity UK Real Estate	13.7	1.3%
15.4	1.4%	Blackrock Low Carbon Global Equity	28.1	2.6%
77.1	7.0%	Blackrock	54.2	5.0%
0.0	0.0%	UBS Triton Property Fund	11.3	1.0%
<b>1,103.6</b>	<b>100.0%</b>		<b>1,088.6</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 2022</b>	<b>% of total fund</b>	<b>Market value 31 March 2023</b>	<b>% of total fund</b>
L&G - Global Equities	506.1	44.9%	488.1	43.3%
L&G - UK Equities	67.8	6.0%	69.8	6.2%
Blackrock - Over 15 year Gilts	77.1	6.8%	54.2	4.8%
LCIV - Baillie Gifford DGF	135.1	12.0%	123.7	11.0%
LCIV - Ruffer DGF	97.4	8.6%	98.6	8.7%

#### **14d. Stock lending**

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

## 15. Fair Value – Basis of Valuation

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.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	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
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of 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

### 15a. 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 2023.

	<b>Assessed valuation range (+/-)</b>	<b>Value at 31 March 2023</b>	<b>Value on increase</b>	<b>Value of decrease</b>
		£m	£m	£m
<b>Private equity</b>	31.2%	24.4	32.0	16.8
<b>Infrastructure</b>	16.0%	56.5	65.5	47.5
<b>Private debt</b>	9.6%	34.8	38.1	31.5

### 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>Quoted market price</b>	<b>Using observable inputs</b>	<b>With significant unobservable inputs</b>	
<b>Values at 31 March 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Financial assets at fair value through profit and loss</b>				
Pooled investments		947.9		<b>947.9</b>
Pooled property investments		25.0		<b>25.0</b>
Private Equity/Infrastructure/Private Debt			115.7	<b>115.7</b>
<b>Subtotal Financial assets at fair value through profit and loss</b>	<b>0.0</b>	<b>972.9</b>	<b>115.7</b>	<b>1,088.6</b>
Cash	27.5			<b>27.5</b>
Investment Income due	0.0			<b>0.0</b>
<b>Subtotal Loans and receivables</b>	<b>27.5</b>	<b>0.0</b>	<b>0.0</b>	<b>27.5</b>
<b>Total Financial assets</b>	<b>27.5</b>	<b>972.9</b>	<b>115.7</b>	<b>1,116.1</b>
<b>Financial liabilities</b>				
Current liabilities	<b>(3.9)</b>			<b>(3.9)</b>
<b>Subtotal Financial liabilities at amortised cost</b>	<b>(3.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.9)</b>
<b>Total Financial liabilities</b>	<b>(3.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.9)</b>
<b>Net Financial assets</b>	<b>23.6</b>	<b>972.9</b>	<b>115.7</b>	<b>1,112.2</b>

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Values at 31 March 2022</b>				
<b>Financial assets at fair value through profit and loss</b>				
Pooled investments		986.6		986.6
Pooled property investments		15.7		15.7
Private Equity/Infrastructure/Private Debt			101.3	101.3
<b>Subtotal Financial assets at fair value through profit and loss</b>	<b>0.0</b>	<b>1,002.3</b>	<b>101.3</b>	<b>1,103.6</b>
Cash	24.1			24.1
Investment Income due	0.0			0.0
<b>Subtotal Loans and receivables</b>	<b>24.1</b>	<b>0.0</b>	<b>0.0</b>	<b>24.1</b>
<b>Total Financial assets</b>	<b>24.1</b>	<b>1,002.3</b>	<b>101.3</b>	<b>1,127.7</b>
<b>Financial liabilities</b>				
Current liabilities	(2.5)			(2.5)
<b>Subtotal Financial liabilities at amortised cost</b>	<b>(2.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.5)</b>
<b>Total Financial liabilities</b>	<b>(2.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.5)</b>
<b>Net Financial assets</b>	<b>21.6</b>	<b>1,002.3</b>	<b>101.3</b>	<b>1,125.2</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 2022	101.3
Transfers into Level 3	0.0
Transfers out of Level 3	0.0
Purchases	26.2
Sales	(15.4)
Issues	0.0
Settlements	0.0
Unrealised gains/losses	16.8
Realised gains/losses	(13.2)
Value at 31 March 2023	115.7

## 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.

Fair value through profit and loss	31 March 2022			31 March 2023		
	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>			
986.6			Pooled investments	947.9		
15.7			Pooled property investments	25.0		
101.3			Private equity/infrastructure/private debt	115.7		
	24.1		Cash		27.5	
	8.6		Debtors		8.1	
<b>1,103.6</b>	<b>32.7</b>	<b>0.0</b>	<b>Total Financial assets</b>	<b>1,088.6</b>	<b>35.6</b>	<b>0.0</b>
			<b>Financial liabilities</b>			
		(2.5)	Creditors			(3.9)
<b>0.0</b>	<b>0.0</b>	<b>(2.5)</b>	<b>Total Financial liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.9)</b>
<b>1,103.6</b>	<b>32.7</b>	<b>(2.5)</b>	<b>Net Financial assets</b>	<b>1,088.6</b>	<b>35.6</b>	<b>(3.9)</b>

16a. Net gains and losses on Financial Instruments

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£'000</b>		<b>£'000</b>
88.1	Fair value through profit and loss	(25.8)
<b>88.1</b>	<b>Total</b>	<b>(25.8)</b>

## *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 advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period. (Based on data as at 31 March 2023 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. 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>31/03/2023 Value (£m)</b>	<b>Potential market movements (+/-)</b>
Bonds	54.2	7.6%
Equities	629.5	19.3%
Other Pooled investments	264.2	10.7%
Pooled Property investments	25.0	15.5%
Private Equity	24.4	31.2%
Infrastructure	56.5	16.0%
Private debt	34.8	9.6%

Had the market price of the fund investments increased/decreased by 1% the change in the net assets available to pay benefits in the market price would have been as follows:

<b>Asset Type</b>	<b>31/03/2023 Value (£m)</b>	<b>Potential value on increase (£m)</b>	<b>Potential value on decrease (£m)</b>
Bonds	54.2	58.3	50.1
Equities	629.5	751.0	508.0
Other Pooled investments	264.2	292.5	235.9
Pooled Property investments	25.0	28.9	21.1
Private Equity	24.4	32.0	16.8
Infrastructure	56.5	65.5	47.5
Private debt	34.8	38.1	31.5
<b>Total</b>	<b>1,088.6</b>	<b>1,266.4</b>	<b>910.8</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 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£m</b>	<b>£m</b>
Cash balances	24.1	27.5
UK Fixed income unit trust	43.7	41.9
<b>Total</b>	<b>67.8</b>	<b>69.4</b>

<b>Asset type</b>	<b>Carrying amount as</b>		
	<b>at 31 March 2023</b>	<b>+1%</b>	<b>-1%</b>
	<b>£m</b>		<b>£m</b>
Cash balances	27.5	0.3	(0.3)
UK Fixed income unit trust	41.9	0.4	(0.4)
<b>Total</b>	<b>69.4</b>	<b>0.7</b>	<b>(0.7)</b>

<b>Asset type</b>	<b>Carrying amount as</b>		
	<b>at 31 March 2022</b>	<b>+1%</b>	<b>-1%</b>
	<b>£m</b>		<b>£m</b>
Cash balances	24.1	0.3	(0.3)
UK Fixed income unit trust	43.7	0.4	(0.4)
<b>Total</b>	<b>67.8</b>	<b>0.7</b>	<b>(0.7)</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 2023 and as at the previous period end:

<b>Currency risk exposure - asset type</b>	<b>Asset value at 31 March 2022 £m</b>	<b>Asset value at 31 March 2023 £m</b>
Overseas unit trusts	565.3	559.5
Overseas pooled property investments	0.0	0.0
Overseas private equity/infrastructure/private debt	101.3	115.7
<b>Total</b>	<b>666.6</b>	<b>675.2</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>Assets exposed to currency rate risk</b>	<b>Asset value as at 31 March 2023 £m</b>	<b>+1% £m</b>	<b>-1% £m</b>
Overseas unit trusts	559.5	5.6	(5.6)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	115.7	1.2	(1.2)
<b>Total</b>	<b>675.2</b>	<b>6.8</b>	<b>(6.8)</b>

<b>Assets exposed to currency rate risk</b>	<b>Asset value as at 31 March 2022 £m</b>	<b>+1% £m</b>	<b>-1% £m</b>
Overseas unit trusts	565.3	5.7	(5.7)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	101.3	1.0	(1.0)
<b>Total</b>	<b>666.6</b>	<b>6.7</b>	<b>(6.7)</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 2023 was £27.5m (31 March 2022: £24.1m). This was held with the following institutions:

#### Credit risk exposure

	Rating	Balances at 31 March 2022 £m	Balances at 31 March 2023 £m
<b>Bank deposit accounts</b>			
NatWest	A	0.9	0.8
Northern Trust - Aviva Cash		0.1	0.1
Money Market deposits	AAA	23.1	26.6
<b>Other short-term lending</b>			
Local authorities		0.0	0.0
<b>Total</b>		<b>24.1</b>	<b>27.5</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 2023 the value of illiquid assets was £140.7m, which represented 12.6% (31 March 2022: £117.0m, which represented 10.4%) 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 2023 are due within one year."

#### Liquidity Risk

	<b>31-Mar-22</b>	<b>%</b>	<b>31-Mar-23</b>	<b>%</b>
Pooled investments	986.6	87.5%	947.9	84.9%
Cash deposits	24.1	2.1%	27.5	2.5%
Investment income due	0	0.0%	0.0	0.0%
<b>Total liquid investments</b>	<b>1,010.7</b>	<b>89.6%</b>	<b>975.4</b>	<b>87.4%</b>
Pooled property investments	15.7	1.4%	25.0	2.2%
Private Equity/ Infrastructure/private debt	101.3	9.0%	115.7	10.4%
<b>Total illiquid investments</b>	<b>117.0</b>	<b>10.4%</b>	<b>140.7</b>	<b>12.6%</b>
<b>Total investments</b>	<b>1,127.7</b>	<b>100.0%</b>	<b>1,116.1</b>	<b>100.0%</b>

### 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 Regulations 2013, 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 2022. The next valuation will take place as at 31 March 2025 and results are scheduled to be released by 31 March 2026.

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 tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years from 1 April 2022 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 2022 actuarial valuation the Fund was assessed as 87% funded, which is an improvement to the 78% valuation at the 2019 valuation. This corresponded to a deficit of £162m (2019 valuation: £248m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 20 years from April 2022.

Contribution increases or decreases may be phased in over the three-year period beginning 1 April 2023 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2023/24	33.5%
2024/25	32.0%
2025/26	30.5%

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 2022 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 main actuarial assumptions used for the 2022 actuarial valuation were as follows:

Discount rate	4.3% p.a.
Pay increases	3.0% p.a.
Pension increases	2.7% p.a.

## Demographic assumptions

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

Life expectancy at age 65	Male	Female
Current pensioners	22.1 years	24.8 years
Future Pensioners retiring in 20 years	23.4 years	26.3 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.

### *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 2023 was £1,380m (31 March 2022: £1,838m). 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 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

## Financial assumptions

Inflation/pensions increase rate	3.00%
Salary increase rate	3.30%
Discount rate	4.75%

## Longevity assumption

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

	Males	Females
Current pensioners	22.0 years	24.7 years
Future pensioners*	23.0 years	25.9 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.

## Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	24
1 year increase in member life expectancy	4%	55
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	23

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1 year increase in life expectancy would approximately increase the liabilities by around 4% (c. £55m).

## 20. Assets

### a) Current assets

	31 March 2022	31 March 2023
	£m	£m
Debtors:		
- Contributions due – employees	0.2	0.2
- Contributions due – employers	0.9	1.2
- Sundry debtors	7.5	6.7
<b>Total</b>	<b>8.6</b>	<b>8.1</b>

### Analysis of debtors

	31 March 2022	31 March 2023
	£m	£m
- Central government bodies	0.8	0.9
- Other local authorities	6.1	5.8
- Other entities and individuals	1.7	1.4
<b>Total</b>	<b>8.6</b>	<b>8.1</b>

## 21. Current liabilities

	31 March 2022	31 March 2023
	£m	£m
Group transfers	0.0	0.0
Sundry creditors	2.5	3.9
<b>Total</b>	<b>2.5</b>	<b>3.9</b>

### Analysis of creditors

	31 March 2022	31 March 2023
	£m	£m
Central government bodies	1.0	1.0
Other entities and individuals	1.5	2.9
<b>Total</b>	<b>2.5</b>	<b>3.9</b>

## 22. Additional voluntary contributions

	<b>Market value 31 March 2022</b>	<b>Market value 31 March 2023</b>
	<b>£m</b>	<b>£m</b>
Clerical Medical	1.3	1.1
Prudential	0.7	0.7
	<b>2.0</b>	<b>1.8</b>

	<b>Contributions 31 March 2022</b>	<b>Contributions 31 March 2023</b>
	<b>£m</b>	<b>£m</b>
Clerical Medical	0.0	0.0
Prudential	0.1	0.1
	<b>0.1</b>	<b>0.1</b>

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 £1.30m (2021/22: £1.24m) 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 £43.9m to the Fund in 2022/23 (2021/22: £41.0m)

#### Governance

One member of the Pension Fund Sub-committee is in receipt of pension benefits from the Brent Pension Fund (chair Cllr R Johnson). 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, Corporate Director Finance and Resources (s.151 officer), Corporate Director Governance, Deputy Director of Finance 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 2022</b>	<b>31st March 2023</b>
	<b>£m</b>	<b>£m</b>
Short Term Benefits	0.040	0.091
Post-Employment Benefits	0.012	0.000
Termination Benefits	0.000	0.030
<b>Total Remunerations</b>	<b>0.052</b>	<b>0.121</b>



## 24. Contingent liabilities and capital commitments

Outstanding capital commitments (investments) at 31 March 2023 totalled £60.5m (31 March 2022 £82.1m)

	<b>31st March 2022</b>	<b>31st March 2023</b>
	<b>£m</b>	<b>£m</b>
Capital Dynamics	12.9	13.5
Alinda Fund II	2.5	2.4
Alinda Fund III	8.1	9.1
London CIV Infrastructure Fund	28.9	17.1
London CIV Private Debt Fund	29.7	18.4
<b>Total</b>	<b>82.1</b>	<b>60.5</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. Impairment Losses

The Fund had no Impairment Losses at 31 March 2023.

## **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 Corporate Director, Finance and Resources 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.

### **Corporate Director, Finance and Resources' responsibilities**

The Corporate Director, Finance and Resources 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 2022/23 ('the Code of Practice').

In preparing this statement of accounts, the Corporate Director, Finance and Resources 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 Corporate Director, Finance and Resources has also:

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

### **Corporate Director, Finance and Resources' statement**

I certify that the statement of accounts as set out on pages 29 to 65 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 2023.



**Mimesh Patel CPFA**

Corporate Director, Finance and Resources

Date: 23 October 2023

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

### Opinion on financial statements

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 2023, 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 2022/23.

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 2023 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 2022/23; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director Finance and Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director Finance and Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director Finance and Resources with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Corporate Director Finance and Resources is responsible for the other information. Our opinion on the 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements, or our knowledge 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 financial statements themselves. 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 matters required by the Code of Audit Practice (2020) 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, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund 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 in relation to the Pension Fund.

### **Responsibilities of the Authority and the Corporate Director Finance and Resources**

As explained more fully in the Statement of Responsibilities, 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 Corporate Director Finance and Resources. The Corporate Director Finance and Resources 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director Finance and Resources 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 Corporate Director Finance and Resources 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

## 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ).

We enquired of management and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of management override of controls. We determined that the principal risks were in relation to journals:

- using data analytics, we considered all journal entries for fraud and set specific criteria to identify the entries we considered to be high risk. Such criteria included journals with unusual values; journals posted after the year end; journals with a material impact on the surplus/deficit for the year; and journals created by senior managers.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Corporate Director Finance and Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on what we deem to be high risk journals;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of Level 2 investments and Level 3 investments and IAS 26 pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to Level 2 investments, Level 3 investments and IAS 26 pension liability valuations.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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 44 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.

## **Ciaran McLaughlin**

Ciaran McLaughlin, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: 23 October 2023

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

### Opinion

We have examined the pension fund financial statements of Brent Pension Fund (the 'pension fund') for the year ended 31 March 2023 included within the pension fund annual report, which comprise the Pension Fund Account, the Net Assets Statement for the Pension Fund, and the notes to the Brent Pension Fund Accounts, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements of London Borough of Brent for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

### Respective responsibilities of the Corporate Director, of Finance and Resources and the auditor

As explained more fully in the Statement of the Corporate Director, of Finance and Resources' Responsibilities, the Corporate Director, of Finance and Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Our responsibility is to state to the members of London Borough of Brent our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of London Borough of Brent.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of London Borough of Brent describes the basis of our opinion on those financial statements.

### Use of this auditor's statement

This statement is made solely to the members of London Borough of Brent as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Brent those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Brent and the members of London Borough of Brent as a body, for our work, for this statement, or for the opinions we have formed.

**Ciaran McLaughlin**

Ciaran McLaughlin, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

**23 October 2023**

## 10. Glossary

### **Accounting Policies**

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

### **Accruals**

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

### **Active Management**

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

### **Active Member**

Current employee who is contributing to a pension scheme.

### **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 Gains and Losses**

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

### **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 professional who advises the council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

### **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, whose staff can become members of the Fund by virtue of an admission agreement made between the council and the organisation. It enables contractors who take on the Council's services with employees transferring to offer those staff continued membership of the Fund.

### **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 different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

### **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 – An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

**Benchmark**

A measure against which the investment policy or performance of an investment manager can be compared. 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**

Investments, mainly in government stocks which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange in the meantime.

**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.

**CIPFA (Chartered Institute of Public Finance and Accounting)**

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the code.

**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.

**Creditors**

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

**Debtors**

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

**Deferred Members**

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

**Defined Benefit Scheme**

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set to meet the pensions promised.

**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).

**Derivative**

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange, rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date.

**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..

**Employer Contribution Rates**

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension

**Emerging Markets**

The financial markets of developing economies.

**Equities**

Ordinary share in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Exchange Traded**

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

**Financial Assets**

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives)

**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.

**Forward Foreign Exchange Derivative**

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange

**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 calculation of the average price of share, bonds or other assets in a specified market to provide an indication of the average performance and general trends in the market.

**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.

### **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.

### **Over The Counter**

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange.

### **Past service adjustment**

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

### **Passive Management**

Passive management is where the investments mirror a market index.

## **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.

## **Pooled Investment Vehicles**

Funds which manage the investment of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

## **Projected Unit Method – Pension Fund Valuation**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- The benefits for pensioners and deferred pensioners (i.e individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases and
- The accrued benefits for members in service on the valuation date

## **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.

## **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or

- One party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests: or
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

### **Related Parties Transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples: of related party transaction include:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund
- The provision of services to a related party, including the provision of pension fund administration services and
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payment of benefits.

### **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.

### **Return**

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

### **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**

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

### **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.

### **SONIA**

Sterling Overnight Index Average – the average of the interest rates that financial institutions charge banks to borrow sterling overnight. It is often used as a benchmark to set other interest rates or to measure returns on investments.

### **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.).

### **The Code**

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting standards. It sets out the proper accounting practice to be adopted for the statement of Accounts to ensure they 'present fairly' the financial position of the Council. The code has statutory status via the provision of the Local Government Act 2003.

### **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.

### **Unrealised Gain/Losses**

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

### **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 2019), 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) 2023

#### Contents

- 1. Introduction**
  - 2. PAS Policy Statement**
    - 2.1 Pension Administration Strategy Statement
    - 2.2 Legislative Context
    - 2.3 Aims
    - 2.4 Objectives
    - 2.5 Documents which make up the strategy
  - 3. Service Level Agreement**
    - 3.1 Employer Functions
    - 3.2 Actuarial Work
    - 3.3 Administering Authority Functions
    - 3.4 Employer Responsibilities
    - 3.5 Notes to Employer Responsibilities
  - 4. Staff Charging Schedule**
  - 5. Pensions Administration Strategy - Charging**
    - 5.1 Why we need to charge
    - 5.2 Circumstances on when we would charge
    - 5.3 Monitoring after a Levy has been made on an employer
  - 6. Fees**
    - Annex1
- Appendix 1** – Regulation Extract  
**Appendix 2** – Employers Guide



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

### **1. Introduction**

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 this Pension Administration Strategy is to set out the quality and performance standards expected of the Fund and its scheme employers. The Administration Strategy will assist in clarifying the roles and responsibilities of both the Administering Authority and the Employing Authorities, i.e. those employers who participate in the Pension Fund.

This Pension Administration Strategy ensures 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.

A review of the strategy will take place at least every three years or as soon as possible following any material changes to the regulations, processes or procedures that affect this strategy. Such changes will be made following consultation with employers and will be reviewed and agreed by LBB. Employers may submit suggestions to improve any aspect of this strategy at any time.

### **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.

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.

#### **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 Pensions Administration Strategy has a number of specific objectives, including:

- Deliver an efficient, quality and value for money service to its scheme employers and scheme members
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
- Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
- Set out clear roles and responsibilities for the Council and LPPA and work together to provide a seamless service to Scheme employers and scheme members
- Continuously review and improve the service provided

The Pension Administration Strategy will meet those objectives by introducing a service level agreement between the "Fund" and scheme employers. This will subsequently improve the flow of information between Employers and the Brent Pension Fund (as Administering Authority), ensuring that obligations are met, and ultimately that costs are kept to a minimum with scheme members receiving accurate and timely payment/notification of their entitlements.

Effective and efficient administration of the pension fund can be achieved where all parties meet their respective responsibilities outlined in the Pension Administration Strategy. This in turn provides benefits to all stakeholders in the Pension Fund, the Administering Authority, employers and scheme members. The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

For the Administering Authority, effective administration means:

- It can fulfil its obligations under the regulations for administering the pension scheme
- Lower costs, improved use of resources
- Easier and swifter provision of services to employers and scheme members
- Improved communication between Administering Authority, employers and scheme members
- Improved monitoring of performance
- Clean data enabling faster and more accurate monitoring of the Pension Fund by the Fund actuaries
- Improved decision making in relation to policies and investments

For Employing Authorities, effective administration means:

- Greater understanding of the Pension Fund and its impact upon them as an employer
- Lower costs
- Improved communication
- Employee satisfaction
- Improved decision making for budgeting
- Fulfilling its obligations as an Employing Authority under the LGPS regulations

For Scheme members, efficient administration means:

- Accurate records of their pension benefits
- Earlier issuance of annual benefit statements
- Faster responses to their pension record queries
- Faster access to benefits at retirement
- Improved communications
- Enhanced understanding of the pension scheme and the benefits of being a member

## 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 Annex 1.

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

<b>Task</b>	<b>Description</b>
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 LPPA and the Fund’s Actuary Hymans Robertson. This means that they are functions which if required, must be provided by the LPPA 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 LPPA, the Funds Actuary and/or the Fund’s legal advisors.
Cessation valuations	Any work in relation to this will require input from both LPPA and the Funds Actuary
Employer actuarial valuations	Any work in relation to this will require input from both LPPA and the Funds Actuary
Academy conversion	Any work in relation to this will require input from both LPPA and the Funds Actuary
Valuation of unfunded liabilities	Any work in relation to this will require input from both LPPA and the Funds Actuary

### 3.3 Administrating 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.

#### Key Performance Indicators (KPIs)

Case Type/Task	Timescale (working days)	Target (% within timescale)
Admissions	10	95%
Transfers In/Aggregation	10	95%
Transfer Out	15	95%
Estimates employee	10	95%
Retirements	5	95%
Deferred Benefits	15	95%
Refunds	5	95%
Deaths	5	95%
Correspondence	10	95%
Other queries to employer	10	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 Annex 2.

<p><b>Payments of monies due</b></p>	<p>Monthly contributions – on time by the 22<sup>nd</sup> of the following month at the latest and the correct amount</p> <p>Capital Sums – on time by the 22<sup>nd</sup> of the following month at the latest and the correct amount</p> <p>Single payments of contributions - on time by the 22<sup>nd</sup> of the following month at the latest and the correct amount</p> <p>AVC contributions – to be paid to the AVC provider on time by the 22<sup>nd</sup> of the following month at the latest and the correct amount</p>
<p><b>Submission of year end return</b></p>	<p>Returns must be submitted each month from 1<sup>st</sup> April 2023</p> <p>If you are unable to submit your return by month-end, LPPA and Brent Pensions should be informed of any delay, the reasoning and the likely time frame that you can provide the return</p>
<p><b>Monthly errors</b></p> <p>Examples of end of year errors</p> <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>	<p>Respond to errors within 10 working days of notification</p> <p>If you are unable to respond in ten working days, inform LPPA of the likely time frame that you can respond in and advise Brent Pensions of the delay</p>

## Employer Responsibilities

<p><b>Response to other queries raised</b> (e.g. by the LPPA Pensions Services or Brent Pensions teams)</p> <p>There are times where LPPA 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</p>	<p>10 working days from notification by LPPA or Brent Pensions</p> <p>If unable to respond in 2 weeks, then inform LPPA of the likely timeframe that you can respond in and advise Brent Pensions of the delay</p>
<p><b>On-line access</b></p> <p><b>Employer LPPA portal "PensionPoint"</b></p>	<p>Use of online Forms for all relevant tasks</p>
<p><b>Submission of joiners/leavers</b></p>	<p>Notification of joiners within 1 month of joining the scheme</p> <p>Notification of leavers within 1 month of leaving the scheme</p> <p>Notification of retirement within 1 month prior to the last day of service</p>
<p><b>Notification of other changes during employment</b></p>	<p>Relevant changes e.g. change of hours, absence notification online within 1 month of the event</p>
<p><b>Correct admission of members into the Fund</b></p>	<p>You must ensure that you are correctly admitting members into the "Fund"</p>
<p><b>Up to date discretions policies in place</b></p>	<p>Discretionary policies to be in place and up to date</p>
<p><b>Customer Relationship Management contacts</b></p>	<p>LPPA and Brent Pensions to be notified of contact change or new contact within 1 month via the employers contact form</p>

### 3.5 Notes to Employer Responsibilities

- 3.5.1 The employer will nominate a person to act as the 'employer representative' and Brent Pension Fund's primary contact. The employer will ensure that changes of nominated person are notified to Brent Pension Fund immediately.
- 3.5.2 Great care must be taken to avoid breaking The Occupational Pension Schemes (Disclosure of Information) Regulations 1996. For example, where a retirement takes place before age 65, leaver notification must be received by Brent Pension Fund no later

than one month after the date of retirement. The above timeframes therefore to allow us to ensure compliance with the Disclosure Regulations in relation to all scheme member matters.

3.5.3 Employers will provide LPPA with a monthly data return. The return must be balanced by the employer against the employee and employer contribution payments made for that financial year.

\*Please note that in the year of the Triennial Valuation, this date may need to be brought forward. Any such change will be notified in advance to your nominated person.

3.5.4 Under the Pensions Act, the Pensions Regulator may be notified if contributions are not received in accordance with the regulators code of practice, as described above.

3.5.5 It is important that Employers ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes. There is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

3.5.6 The Fund in coordination with LPPA will keep stakeholders informed of new developments by sending emails and newsletters, and by providing training, forums and workshops for Employers when new Regulations are implemented or are under consideration.

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

The Fund’s staffing charges for work over and above the responsibilities of the administering authority as at July 2023.

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	£459.00	£65.00
Team Leader	£795.00	£113.00
Specialist	£850.00	£121.00
Manager	£1,175.00	£168.00
Senior Manager	£1,715.00	£245.00
Director	£2,021.00	£288.00

#### 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 sometimes do not do 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 – Annex 1

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

Activities	Fees excluding VAT
<p><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)</p>	<p>£70 plus interest calculated on a daily basis</p>
<p><b>Monthly Contributions</b> – non provision of the correct schedule of payments in stipulated format and accompanying the respective contribution payment within stated timelines</p>	<p>£70 per occasion</p>
<p><b>Change Notification</b> – failure to notify administrators of a change to a member’s 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</p>	<p>£70 per occasion</p>
<p><b>Month End Data</b> – failure to provide month end data by 10<sup>th</sup> of the month following payroll</p>	<p>£70 per occasion</p>
<p><b>Month End Data Queries</b> – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale</p>	<p>£70 initial fee then £30 for every month the information remains outstanding</p>
<p><b>New Starter</b> - failure to notify the administrator of a new starter within 1 month of joining the scheme</p>	<p>£70 initial fee then £30 for every month the information remains outstanding</p>
<p><b>Leaver</b> – failure to notify the administrator of any leaver within 1 month of leaving the scheme</p>	<p>£70 initial fee then £30 for every month the information remains outstanding</p>

**Fees – Annex 1**

<p><b>Retirees</b> – failure to notify the administrators when a scheme member is due to retire within 1 month before the retirement date</p>	<p>£70 initial fee then £30 for every month the information remains outstanding</p>
<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>£70 per occasion</p>

## **Appendix 1 - 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 sub-paragraph (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 sub-paragraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in sub-paragraphs (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 Regulations 2013 in force now or as amended and in force at any future date and the Local Government Pension Scheme (Transitional Protection) Regulations 2014
<b>“Core Scheme Functions”</b>	the functions identified in the Service Level Agreement as being core Scheme functions
<b>“Fund”</b>	the Pension Fund

## Interpretation

<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 Local Government Pension scheme Regulations 2013 in force now or as amended and in force at any future date and the Local Government Pension Scheme (Transitional Protection) Regulations 2014 and previous regulations as they still have effect in part.
<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 & 2014

- 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 2 – Employer Guide**

### **Employer Guide**

What the "Fund" and the LPPA 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 monthly 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 LPPA 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 LPPA 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 LPPA 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 LPPA, 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 LPPA 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 LPPA 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 LPPA 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

## b. Employer Numbers Table

The table below shows the Brent employers and their members' details as at 31 March 2023

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
London Borough of Brent	2,479	6,089	5,207	882	883
Ark Elvin Academy	51	27	10	2	22
Age Concern	0	2	5	0	0
MENCAP	0	5	2	0	0
Roundwood School and Community Centre	6	0	0	0	0
Wettons (Sth Ground Maint.)	0	0	3	0	0
Wettons (Nth Ground Maint.)	0	2	4	1	0
Ark Academy	81	91	5	1	34
Torah Temimah Primary School	0	0	1	0	0
Goldsborough H&N SVC LTD	0	13	99	5	0
Churchill Contracts (BACES)	0	1	0	0	0
Churchill Contracts (Day Cent)	0	4	1	0	0
Capital City Academy	52	64	16	4	7
College of North West London	0	3	0	0	0
NWL Jewish Day School	1	10	5	0	0
Newman Catholic College	47	50	22	2	17
Kilburn Park School	11	29	4	0	5
Malorees Junior School	18	10	7	1	6
St Joseph's RC Primary School	43	34	22	4	12
Preston Manor High School	0	32	16	2	1
St Gregory's RC School	0	5	13	0	0
Copland Community School	1	36	28	5	0
Convent of Jesus & Mary Inf. Sch.	17	55	18	2	7
Claremont High School	0	17	11	1	1
Alperton High School	0	31	22	1	0
Oakington Manor (not in use)	0	10	10	1	5
John Kelly Girls Tech College	0	5	7	0	0
John Kelly Boys Tech College	0	14	3	1	1
Kingsbury High School	0	56	48	3	7
Queens Park Community School	0	21	11	2	4
National Autistic Society (NAS)	2	135	126	6	3
Kilburn Skills	0	3	9	2	0
Sudbury Neighbourhood Centre	1	7	21	0	3
Brent Samaritans	0	0	1	0	0
Brent Crossroads	0	0	2	0	0
Pakistani Workers Association	0	0	1	1	0
Brent Association Disabled Peo.	0	1	2	0	0
Harlesden Young Mums Project	0	0	2	0	0
WISE	0	0	0	1	0
Sudbury Primary School (Acad.)	68	36	9	0	17
LEAP	4	5	1	0	0
Childcare	0	0	2	0	0
Carequest	0	0	1	0	0
Islamia Primary School	40	36	5	0	5

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Claremont High School Academy	75	29	7	0	14
Brent Care at Home LTD	0	7	70	9	0
JFS School	69	58	14	0	17
Brent Housing Partnership LTD	0	6	4	0	3
Wetton Clean SVC (Nth Wembley)	0	0	3	0	0
Wetton Clean SVC (Sth Wembley)	0	1	1	0	0
Jarvis Workspace FM LTD	0	1	1	0	0
Wembley High Technology College	63	23	4	1	30
Sanctuary Housing Association	1	1	0	0	0
Alperton Community School	87	43	17	2	25
Furness Primary School (Acad.)	37	18	4	0	3
Oakington Manor Primary School	53	35	4	0	15
Queens Park Community School	75	22	11	0	16
The Crest Boys Academy	0	13	7	1	0
The Crest Girls Academy	0	11	3	0	1
Opt Out - No Liability	0	1	0	0	0
Xerox (UK) Limited	0	4	4	0	0
Alpeona HSG Ltd	0	1	0	0	0
Thames Reach Housing Ass	0	17	0	0	0
Sudbury Primary School	22	16	6	0	9
Mount Stewart JM School	29	21	4	0	12
Braintcroft JM School	69	34	7	0	7
Brentfield JM School	14	15	4	0	3
Carlton Vale Infant School	14	11	2	0	2
Christchurch Brond COFE School	39	13	7	0	8
Elsley JM School	0	1	1	0	0
Gladstone Park Primary School	49	49	4	0	9
Kingsbury Green JM School	19	4	9	0	2
St Margaret's Clitheroe School	16	6	0	0	1
College Green Nursery	25	10	4	0	0
Wykeham JM Primary School	0	0	0	1	0
Vernon House	40	45	13	0	20
Leopold School	38	25	2	0	1
St Andrew & St Francis (Acad.)	26	13	12	3	0
Veolia	1	1	1	0	0
Veolia (Ground Maintenance)	1	1	0	0	0
Conway Aecom Ltd	8	16	4	0	2
Barnardos	24	7	1	0	17
Michaela Community School Acad.	103	72	11	0	22
Preston Manor High School	41	30	5	0	14
Ark Franklin Primary School	72	23	5	1	5
St Claudine's Catholic School for Girls	57	31	12	1	13
Gladstone Park Primary School	118	41	15	1	24
Kingsbury High School (Acad.)	53	15	4	0	7
The Crest Academy	64	19	0	0	18

Employer	Active	Deferred	Pensioner	Dependant	Frozen refund
Woodfield School Academy	28	0	5	1	1
NWL Jewish Day School (Acad.)	41	9	6	0	3
St Gregory's RC School (Acad.)	1	2	0	0	0
Taylor Shaw	157	49	6	1	36
Manor School (Academy)	2	1	0	0	0
Caterlink Ltd	23	23	2	0	3
Anson Primary School	70	39	1	0	7
Barham Primary School	30	30	3	0	3
Byron Court Primary School	62	17	0	0	4
Chalkhill Primary School	21	5	2	0	2
Curzon Crescent Children's Cen	23	13	2	0	5
Donnington Primary School	21	10	2	0	2
Fawood Children's Centre	56	16	4	4	6
Fryent Primary School	32	4	2	0	2
Granville Children's Centre	41	21	3	0	4
John Keeble CofE School	1	4	0	0	0
Lyon Park Infants School	47	18	1	0	2
Lyon Park Juniors School	16	20	3	0	3
Malorees Infant	46	33	3	0	3
Michael Sobell Sinai School	70	40	2	0	22
Mitchell Brook Primary School	16	18	4	0	5
Mora Primary School	26	16	0	0	3
Mount Stewart Infants	19	16	4	0	1
Newfield School	22	11	2	0	2
Northview Primary school	27	10	3	0	3
Oliver Goldsmith	18	4	5	0	1
Our Lady Of Grace RC Infants	16	2	1	0	1
Our Lady Of Grace RC Juniors	22	7	1	0	2
Our Lady of Lourdes	47	27	3	0	5
Park Lane Primary School	13	12	2	0	3
Phoenix Arch School(Vernon House School)	49	51	1	1	9
Preston Park Primary	25	16	1	0	7
Princess Frederica Ce Va Primary School	42	14	5	0	4
Roe Green Infant School	33	11	2	0	3
Roe Green Junior School	58	29	2	0	4
Salisbury Primary Sch	15	11	6	0	1
St Mary Magdalenes School	22	10	1	0	4
St Mary's CofE School	17	14	1	0	4
St Mary's RC School	40	10	1	0	0
St Robert Southwell Catholic School	36	16	3	0	6
Stonebridge Primary School	155	69	11	0	17
The Village School	51	15	4	2	3
Uxendon Manor School	73	23	5	0	6
Wembley Primary School	48	4	4	0	7

<b>Employer</b>	<b>Active</b>	<b>Deferred</b>	<b>Pensioner</b>	<b>Dependant</b>	<b>Frozen refund</b>
Harlesden Primary School	20	2	3	0	3
Compass Learning Partnership	0	0	0	3	0
Previous Service	14	7	2	0	3
London Borough-Non Member EDM	17	8	2	0	0
St Joseph's Infant School	0	7	0	0	0
St Joseph's Junior School	1	0	0	0	0
Edwards & Blake	5	0	2	0	0
FM Conway	0	1	0	0	0
DB Services	2	0	0	0	0
<b>Total</b>	<b>6,061</b>	<b>8,544</b>	<b>6,198</b>	<b>962</b>	<b>1,575</b>

- 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 month, a full submission of contributions must be submitted by each employer.

Please note that late submission of 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 2023. 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 LPPA to enter onto the relevant LPPA systems. Any errors or inconsistencies in the data can be quickly identified and can be remedied.

c. Funding Strategy Statement

London Borough of Brent Pension  
Fund Funding Strategy Statement  
February 2023



# Contents

## London Borough of Brent Pension Fund – Funding Strategy Statement

1	Welcome to the fund's funding strategy statement	100
2	How does the fund calculate employer contributions?	101
3	What additional contributions may be payable?	104
4	How does the fund calculate assets and liabilities?	105
5	What happens when an employer joins the fund?	105
6	What happens if an employer has a bulk transfer of staff?	107
7	What happens when an employer leaves the fund?	108
8	What are the statutory reporting requirements?	110

## Appendices

Appendix A – The Regulatory Framework

Appendix B – Roles and responsibilities

Appendix C – Risks and controls

Appendix D – Actuarial assumptions

# 1 Welcome to the fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for London Borough of Brent pension fund.

The pension fund is administered by Brent Council, known as the administering authority. Brent council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 20<sup>th</sup> February 2023.

There's a regulatory requirement for Brent Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact sawan.shah@brent.gov.uk

## 1.1 What is the London Borough of Brent pension fund?

The Brent pension fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

### Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including the council and academies. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

### Designating employers

Employers such as town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme. The Brent fund has no such employers currently.

### Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers such as charities and housing associations, who have a "community of interest" with another scheme employer.

Others may be called **transferee admission bodies** (TABs), typically contractors which provide outsourced services like cleaning or catering to a scheduled body.

These terms aren't defined under current regulations but remain in common use from previous regulations.

#### 1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at within the Fund's annual report at [brent.gov.uk/pensions](http://brent.gov.uk/pensions).

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

#### 1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

#### 1.6 How is the funding strategy specific to the Brent pension fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

## 2 How does the fund calculate employer contributions?

### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations. Employer

contributions are made up of two elements:

- **the primary contribution rate** – contributions payable towards future benefits (including an allowance for the fund's expenses)
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix D](#).

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The fund permits the prepayment of employer contributions in specific circumstances. The fund's policy is to only permit prepayment of Secondary contributions which would otherwise be expressed in monetary (not % of payroll) amounts; the administering authority must be consulted in advance regarding a proposal to prepay, and it may seek assurance that the employer has taken advice and understands the potential risks involved.

## 2.2 The contribution rate calculation

**Table 2: contribution rate calculation for individual or pooled employers**

Type of employer	Scheduled bodies			CABs		TABs*	
	Sub-type	Council	Academies converted from LEA	Free schools	Open to new entrants	Closed to new entrants	(all)
<b>Funding target**</b>	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis			Contractor exit basis, assuming fixed-term contract in the fund
<b>Minimum likelihood of success</b>	70%	70%	70%	75%	80%	70%	
<b>Maximum time horizon</b>	20 years	20 years	20 years	15 years	Average future working lifetime		Same as the letting employer
<b>Primary rate approach</b>	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon						
<b>Secondary rate</b>	% of payroll	% of payroll	% of payroll	Monetary amount	Monetary amount	% of payroll	
<b>Stabilised contribution rate?</b>	Yes	Yes	No	No	No	No	No
<b>Treatment of surplus</b>	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority			Reduce contributions by spreading the surplus over the remaining contract term	
<b>Phasing of contribution changes</b>	Covered by stabilisation arrangement	Covered by stabilisation arrangement	Covered by stabilisation arrangement	3 years	3 years	None	

\* Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority

\*\* See [Appendix D](#) for further information on funding targets.

### 2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. If this isn't appropriate, contribution increases or decreases may be phased.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for certain employers as follows:

**Table 1: current stabilisation approach**

Type of employer	Council	Academy converted from LEA
Maximum contribution increase per year	+1.5% of pay	+1.5% of pay
Maximum contribution decrease per year	-1.5% of pay	-1.5% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

### 2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, 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.

### 2.5 What is pooling?

The administering authority operates contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority. CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

## **2.6 What are the current contribution pools?**

- LEA schools generally pool with the Council, although 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.

## **2.7 Administering authority discretion**

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in paragraph 2.1 above.

# **3 What additional contributions may be payable?**

## **3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds**

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread at administering authority discretion.

## **3.2 Pension costs – early retirement on ill-health grounds**

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

Employers must tell the administering authority if the policy ends or if there are any changes to coverage or premium.

## 4 How does the fund calculate assets and liabilities?

### 4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 4).

### 4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix D](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

### 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

## 5 What happens when an employer joins the fund?

### 5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

### 5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. Whilst academies are not pooled, their contributions may be set on a pooled basis as follows:

<b>Academy type</b>	<b>Primary contribution rate</b>	<b>Secondary contribution rate</b>
<b>Converting from LEA</b>	Calculated using the current funding strategy (set out in section 2) and the transferring membership	Balance so that total rate equals Council rate each year
<b>Free school</b>	Calculated using the current funding strategy (set out in section 2) and the initial membership.	

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

### **5.3 New admission bodies as a results of outsourcing services**

New admission bodies usually join the fund because an existing employer (usually a scheduled body such as the council or an academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

### **5.4 Other new employers**

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.



### 5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement were to end early, for example if the admission body became insolvent or went out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

## 7 What happens when an employer leaves the fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice; however this is considered on a case-by-case basis. If such a notice is issued, then the cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

### 7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix D](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix D](#).
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is only a guarantor of last resort, this will have no effect on the cessation valuation basis applied. If the guarantee is more extensive, the cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's liability, and are deducted from the cessation surplus or added to the cessation deficit. The cessation policy is available from the administering authority.

### **7.3 What happens if there is a surplus?**

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is available from the administering authority.

### **7.4 How do employers repay cessation debts?**

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement (DDA), it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is available from the administering authority.

### **7.5 What if an employer has no active members?**

If an employer leaves the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at the formal valuation
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers on a pro-rata basis.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

### 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level
- or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

### 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

# Appendices

## Appendix A – The regulatory framework

### A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- ensure the fund meets its **solvency and long-term cost efficiency** objectives
- take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

The consultation process included issuing a draft version to participating employers and attending an open employers' forum.

### A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the fund's annual report and accounts. Copies are freely available on request and by:

- publishing on the administering authority's website
- sending copies to each employer
- including the full statement or summary in the annual report
- adding the FSS to the agenda of pension fund employers' forum
- sending copies to members of the local pension board
- sending copies to employee/pensioner representatives
- making copies freely available on request.

The FSS is published at [www.brent.gov.uk/pensions](http://www.brent.gov.uk/pensions).

**A4 How often is the FSS reviewed?**

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pension Fund Sub-Committee and included in the Sub-Committee meeting minutes.

**A5 How does the FSS fit into the overall fund documentation?**

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at [www.brent.gov.uk/pensions](http://www.brent.gov.uk/pensions).

## Appendix B – Roles and responsibilities

### **B1 The administering authority:**

- 1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
- 2 manages any conflicts of interest from its dual role as administering authority and a fund employer
- 3 collects employer and employee contributions, investment income and other amounts due
- 4 ensures cash is available to meet benefit payments when due
- 5 pays all benefits and entitlements
- 6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- 7 communicates with employers so they understand their obligations
- 8 safeguards the fund against employer default
- 9 works with the fund actuary to manage the valuation process
- 10 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 11 consults on, prepares and maintains the funding and investment strategy statements
- 12 tells the actuary about changes which could affect funding
- 13 monitors the fund's performance and funding, amending the strategy statements as necessary
- 14 enables the local pension board to review the valuation process.

### **B2 Individual employers:**

- 1 deduct the correct contributions from employees' pay
- 2 pay all contributions by the due date
- 3 have appropriate policies in place to work within the regulatory framework
- 4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- 5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- 6 make any required exit payments when leaving the fund.

### **B3 The fund actuary:**

- 1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- 2 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 3 advises on fund employers, including giving advice about and monitoring bonds or other security
- 4 prepares advice and calculations around bulk transfers and individual benefits

- 5 assists the administering authority to consider changes to employer contributions between formal valuations
- 6 advises on terminating employers' participation in the fund
- 7 fully reflects actuarial professional guidance and requirements in all advice.

**B4 Other parties:**

- 1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
- 3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the administering authority on processes and working methods
- 5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
- 6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.



## Appendix C – Risks and controls

### C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out [here](#). Details of the key fund-specific risks and controls are below.

### 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 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	The fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.  If it occurs, the actuary calculates the added cost spread pro-rata among all employers.
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.	Set mortality assumptions with some allowance for future increases in life expectancy.  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.
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	Employers are charged the extra cost of non-ill-health retirements following each individual decision.  Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	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:  Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases.  For other employers, review of contributions is permitted in general between valuations and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

#### C4 Regulatory risks

Risk	Summary of Control Mechanisms
<p>Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.</p>	<p>The administering authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued as at 31 March 2022 in line with the expected regulations, reflecting an underpin as directed by DLUHC.</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>
<p>Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis.</p>	<p>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.</p>
<p>Changes by government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.</p>	<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>

## C5 Governance risks

Risk	Summary of Control Mechanisms
<p>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>	<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>
<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>

Risk	Summary of Control Mechanisms
	Actuarial advice is subject to professional requirements such as peer review.
Administering authority failing to commission the Fund Actuary to carry out a termination valuation for a departing admission body.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>CABs' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<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> <ul style="list-style-type: none"> <li>• Seeking a funding guarantee from another scheme employer, or external body, where-ever possible.</li> <li>• Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</li> <li>• Vetting prospective employers before admission.</li> <li>• Where permitted under the regulations requiring a bond to protect the fund from various risks.</li> <li>• Requiring new admission bodies to have a guarantor.</li> <li>• Reviewing bond or guarantor arrangements at regular intervals.</li> <li>• Reviewing contributions well ahead of cessation if thought appropriate.</li> </ul>
An employer ceasing to exist resulting in an exit credit being payable	<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>

## C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

London Borough of Brent Pension Fund

Type of employer	Assessment	Monitoring
Council	Tax-raising or government-backed, no individual assessment required	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (including TABs & CABs)	As part of requirement for a bond including its relevant coverage and amount	Periodically, for instance updating bond requirements

## C7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results (as expected) but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the Council makes up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The fund's specific policies in this area are covered in its Investment Strategy Statement.

## Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

### D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

### D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

**Table: Summary of assumptions underlying the ESS, 31 March 2022**

		Annualised total returns										17 year real yield (CPI)	17 year yield	
		Fixed Interest Gilts (long)	UK Equity	Property	Emerging Markets Equity	Listed Infrastructure Equity	Diversified Growth Fund (high equity beta)	Diversified Growth Fund (medium equity beta)	Developed World Equity	Multi Asset Credit (sub inv grade)	Global High Yield Debt			Inflation (CPI)
10 years	16th %ile	-1.5%	-0.4%	-0.6%	-2.5%	-1.1%	1.1%	1.4%	-0.6%	1.7%	0.6%	1.6%	-1.7%	1.1%
	50th %ile	0.7%	5.7%	4.4%	5.8%	4.9%	5.4%	4.3%	5.6%	3.5%	3.4%	3.3%	-0.5%	2.5%
	84th %ile	2.8%	11.6%	9.5%	14.4%	10.9%	9.5%	7.1%	11.6%	5.2%	5.8%	4.9%	0.7%	4.3%
20 years	16th %ile	-0.2%	1.7%	1.4%	0.1%	1.2%	2.8%	2.5%	1.6%	2.8%	2.1%	1.2%	-0.7%	1.3%
	50th %ile	0.9%	6.2%	5.0%	6.3%	5.6%	6.0%	4.9%	6.1%	4.4%	4.2%	2.7%	1.1%	3.2%
	84th %ile	2.0%	10.6%	8.9%	12.8%	10.1%	9.4%	7.4%	10.8%	6.0%	6.4%	4.3%	2.7%	5.7%
40 years	16th %ile	1.2%	3.2%	2.6%	2.1%	2.6%	4.0%	3.3%	3.2%	3.6%	3.1%	0.9%	-0.6%	1.1%
	50th %ile	1.9%	6.7%	5.5%	6.8%	6.1%	6.6%	5.5%	6.6%	5.3%	5.1%	2.2%	1.3%	3.3%
	84th %ile	2.8%	10.2%	8.8%	11.7%	9.8%	9.4%	7.9%	10.2%	7.1%	7.2%	3.7%	3.2%	6.1%
	<b>Volatility (Disp) (5 yr)</b>	8%	18%	15%	26%	18%	13%	8%	18%	6%	8%	3%		

### D3 What financial assumptions were used?

#### Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy. The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate. Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
<b>Ongoing basis</b>	All employers except transferee admission bodies and closed community admission bodies	1.8%
<b>Low-risk exit basis</b>	Community admission bodies closed to new entrants	0.0%
<b>Contractor exit basis</b>	Transferee admission bodies	Consistent with the margin used to allocate assets to the employer on joining the fund

#### Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.3% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 70% likelihood that the fund's assets will future investment returns of 4.3% p.a. over the 20 years following the 2022 valuation date.

#### Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

#### Salary growth

The salary increase assumption at the latest valuation has been set to 0.3% above CPI pa plus a promotional salary scale.

#### D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

#### Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.5% to reflect the difference between the population-wide data used in the CMI and



LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

London Borough of Brent Pension Fund

### Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

### Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.17	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.2	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.24	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0.00	11.83	8.87	0.00	0.00

## Females

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.10	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

### D5 What assumptions apply in a cessation valuation following an employer's exit from the fund? Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

#### Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin consistent with that set to allocate assets to the employer on joining the fund.

## d. Investment Strategy Statement

# Investment Strategy Statement

### 1. 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 Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

The ISS has been prepared by the Fund’s Pension 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 on 4 October 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. 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 dated February 2023.

The Committee has agreed the following long-term target investment strategy for the Fund. It will be necessary for the Fund to allow time for these arrangements to take effect, hence the interim target allocation shown below.

Asset class	Interim target allocation (%)	Long-term target allocation (%)
Global equities	40.0	40.0
UK equities	5.0	5.0
Emerging markets equities	5.0	5.0
Private equity	2.5	-
<b>Total Growth</b>	<b>52.5</b>	<b>50.0</b>
Property	2.5	10.0
Infrastructure	5.0	15.0
Private debt	5.0	5.0
Diversified growth	20.0	5.0
<b>Total Income</b>	<b>32.5</b>	<b>35.0</b>
Multi-asset credit	5.0	5.0

Government gilts	10.0	10.0
<b>Total Protection</b>	<b>15.0</b>	<b>15.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 2. The suitability of particular investments and types of investments

The primary objective of the Fund 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 triennial actuarial valuation, or more frequently as required.

The Committee aims to fund 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 is agreed by the employer 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 Committee has translated its objectives into a suitable 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.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

In 2023, the Fund carried out an asset-liability modelling exercise in conjunction with the 2022 actuarial valuation. The Fund's liability data from the valuation was used in the modelling, and the implications of adopting a range of alternative investment strategies were assessed. The implications for the future evolution of the Fund were considered under a wide range of different scenarios.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (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 assessed the likelihood of achieving their long-term funding target – which was defined at that time as achieving and maintaining a fully funded position in 20 years' time.

A summary of the expected returns and volatility for each asset class is included later in this statement. In addition, 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
- Environmental, Social and Governance (ESG) factors

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, accepting that given the nature of some of the underlying investments, it may take the Fund time to move towards the target allocation.

The Committee reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Committee and is only made between the Fund's liquid assets. Among the factors taken into account by the Committee in its decisions are:

the materiality of under and overweight positions;

any asset transitions that are already scheduled;

market views on the relative attractiveness of different asset classes;

liquidity and transaction costs; and

the confidence of the Committee in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

To help inform rebalancing decisions, the Committee has set the following upper limits to inform rebalancing:

Asset class	Interim target allocation (%)	Long-term target allocation (%)	Upper limit for rebalancing (%)
Listed equities	50.0	50.0	60.0
Diversified Growth	20.0	5.0	25.0
Multi-asset credit	5.0	5.0	10.0
Government gilts	10.0	10.0	15.0
Cash	0.0	0.0	5.0

### 3. Investment of money in a wide variety of investments

#### Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities 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.

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 security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out on page 131. 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.

The latest investment strategy review took place in February 2023. At this time the Committee agreed to maintain the current long-term strategic allocation that was agreed following the 2019 actuarial valuation.

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 existing 20% target allocation to Diversified Growth Funds, which will be monitored and regularly assessed in anticipation of its longer-term reduction in size.

The long-term asset class returns assumed within the asset-liability modelling exercise were as follows. These returns reflect financial conditions as at 31 March 2022.

Asset class	Median expected return <sup>1</sup> over 20 years (% p.a.)
UK equities	6.2%
Global equities	6.3%
Emerging markets equities	6.3%
Property	5.0%
Infrastructure	6.5%
Private debt	9.8%
Diversified growth funds	4.9%
Multi-asset credit	6.7%
Government gilts	4.4%
Total Fund	6.0%

At 31 March 2022, the expected volatility<sup>2</sup> of the investment strategy over 1 year was 13.1%. This volatility includes an assumed diversification benefit. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

### Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. 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.

<sup>1</sup> This indicates that over a 20 year period, there is a 50% chance that the actual annualised return will be higher, and a 50% chance that the actual annualised return will be lower, than the median expected return.

<sup>2</sup> A volatility of 13.1% indicates that over 1 year there is a 2/3rds chance that the actual return over this period will be within +/- 13.1% of the expected return assessed over the same 1 year period.

Types of investment	Maximum investment by the Fund (% of assets)
Contributions in any single partnership	5%
Contributions invested in partnerships	30%
Cash deposits	10%
Investment with any single manager strategy either directly or via the London CIV (excluding investments in passive index-tracking strategies)	15%
Total investment in illiquid assets <sup>3</sup>	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 manager of the index-tracking funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

#### 4. The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active 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

Key funding risks considered include:

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.

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.

<sup>3</sup> This represents a maximum at the point of investment. The impact of market volatility will be assessed separately.

- As indicated above, the Committee has set a 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 results from the analysis carried out in 2023 highlighted the Fund has a greater than 75% probability of being fully funded in 2041. The downside risk measure shows that the funding level in the average of the worst 5% of outcomes projected to 2028 is 38%. This analysis reflects the current investment strategy and level of agreed contributions and is based on financial conditions as at 31 March 2022. This analysis will be revisited as part of the 2025 valuation process.
- 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 these can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

### Asset risk

Market risk – The risk that the market value of the Fund's assets falls.

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.

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.

Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

The Committee measures and manages asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place re-balancing arrangements to ensure 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, as well as property, the Committee has recognised the need for access to liquidity in the short term.

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. Details of the Fund's approach to managing ESG risks is set out later in this document.

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 proportion of the Scheme'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 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.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

## **5. Approach to pooling investments, including use of collective investment vehicles and shared services**

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") will operate was set out in the July 2016 submission to Government.

### **Assets to be invested in the London CIV Pool**

The Fund's intention is to invest its assets through the Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has already invested the following assets via the Pool. Note this includes investments in index-tracking equity funds with BlackRock and LGIM, which are commonly regarded as pooled assets even though they sit outside of the Pool.

Asset class	Manager	% of total Fund assets <sup>4</sup>
Global equities (index-tracking)	LGIM	43.7
Global equities (index-tracking)	BlackRock	2.5
UK equities (index-tracking)	LGIM	6.3
Emerging market equities	LCIV (JP Morgan)	3.9
Diversified Growth	LCIV (Baillie Gifford)	11.1
Diversified Growth	LCIV (Ruffer)	8.8
Infrastructure	LCIV multi-manager	3.3
Private debt	LCIV multi-manager	3.1
Multi-asset credit	LCIV multi-manager	3.7
Gilts	BlackRock	4.9
<b>Total</b>		91.3

At the time of preparing this statement the Fund has elected not to invest the following assets via the London CIV Pool.

Asset class	Manager	% of Fund assets <sup>5</sup>	Reason for not investing via the Pool
Private equity	Capital Dynamics	2.2	In wind down
Infrastructure	Capital Dynamics	0.2	In wind down
Infrastructure	Alinda	1.5	In wind down
Property	Fidelity	1.2	No equivalent fund available via the Pool
Property	UBS	1.0	No equivalent fund available via the Pool
<b>Total</b>		6.1	

<sup>4</sup> Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations shown are subject to rounding.

<sup>5</sup> Actual allocation as at 31 March 2023. Note cash holding of 2.5% is in addition to these amounts. Percentage allocations are subject to rounding.

The Fund will consider participating in pooling arrangements for the current and/or future property investment investments if a suitable solution is made available by the Pool.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2026.

### **Structure and governance of the London CIV Pool**

The July 2016 submission to Government of the 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. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS. In the meantime, further information is provided on the London CIV's website (<https://londonciv.org.uk/>).

## **6. How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments**

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. As a result, the Committee has committed to undertaking a Carbon Risk Audit for the Fund, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

Once this audit has taken place the Committee intends to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. Currently, c30% of the Fund's assets sit within the London CIV and this percentage is expected to grow over time.

At this stage, the Committee has not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon exposure.

Some flexibility may be appropriate to allow the Fund to adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Committee, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

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

Further details are set out in the Fund's Responsible Investment Policy which can be found [here](#).

The Fund's investment 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.

## **7. The exercise of rights (including voting rights) attaching to investments**

### **Voting rights**

The Committee considers the Fund's approach to stewardship also as a key area by acting as a responsible and active investor, by commissioning considered voting on the Fund's behalf as shareholders, and by indirectly engaging with investee company management as part of the investment process.

The Committee has delegated the exercise of voting rights to the investment managers 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 a regular basis.

### **Engagement**

The Committee endorses the Stewardship Code as published by the Financial Reporting Council.

The Committee expects both the London CIV and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues. In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

The Committee supports engagement activity that seeks to:

Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment

Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy

Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

Further details are set out in the Fund's Responsible Investment Policy which can be found [here](#).

Investments made via the London Pool are subject to its Responsible Investment Policy, which is developed in consultation with all of the Pool's partner funds.

For and on behalf of London Borough of Brent Pension Fund Committee

## Appendix – Investment beliefs

### Core 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).

**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.

**The choice of benchmark index matters** – whilst active managers are expected to take ESG issues in their individual stock selection decisions, it is acknowledged that index-tracking managers will invest in line with the index set out in their mandate. 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.

### ESG-specific beliefs

**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.

**It is important for the Sub-Committee to integrate ESG issues when identifying investment opportunities** – we will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a “positive impact” can be considered if they are consistent with the overall objectives of the Fund’s investment strategy.

**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.

**We will generally avoid investing in the most harmful companies and sectors** – we believe we have a duty to consider the wider environmental and social impacts of investments. We believe that we should generally avoid investing in the most harmful companies and sectors.

**Disclosure is important** – we will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed directly with managers, through involvement in the London CIV and also through membership of the LAPFF. We will also disclose the actions we are taking, including publishing this policy and incorporating our RI policies and approach into the way that we engage and communicate with members.



d. [Communications Strategy](#)

# **LONDON BOROUGH OF BRENT PENSION FUND**

## **MEMBER COMMUNICATIONS STRATEGY**

**2023**

## 1. Introduction

This document sets out the communication policy for the London Borough of Brent Pension Fund (“the Fund”) and is subject to review every three years or following a material change in policy.

This communication policy is designed to ensure that all key stakeholders are kept informed of developments within the Pension Fund and through the appropriate medium. The aim being to ensure an effective communication process is in place to help maintain the efficient and effective running of the Scheme and deliver better stakeholder and customer outcomes.

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. LPPA is committed to improving accessibility across its online platform and conforms to Level AA of Web Content Accessibility Guidelines.

## 2. 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 PensionPoint.

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 LPPA to ensure communications are relevant and timely

## Table of Actions

Action	Audience	Media	End of Year Review 2023
Review and update the pension website <a href="#">Pensions Website</a>	All	Web	
Review and update the pension website <a href="#">Pensions Website</a>	All	Web	
Promote PensionPoint	Active and Deferred	Web	
Explore the development of PensionPoint –self-service for pensioner members	Active and Deferred	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.

### Schedule of communications

Communication	Media	Frequency of Issue	Distribution	Audience
<a href="#">Pensions Website</a>	Web	Continually available. Updated as required	Advertised on all communications	All
<a href="#">Scheme booklet</a>	Web	Continually available. Updated as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Default distribution via website, members can opt out of paperless communications	All

## Schedule of communications

Forms	Web or paper	As required	Available to download or post to home address	All
Annual Benefit Statement	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 intranet	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 <a href="#">upload to the Pensions website</a>	Pensioner
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. Published annually	For viewing as required.	All

## Explanation of communications

**Pension Website** - The website will provide scheme specific information, forms, documents (such as newsletters, reports and accounts), factsheets, links to related sites including PensionPoint and contact information. We continue to review and develop this site in partnership with LPPA.

**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** - Pensions Increase newsletters are sent annually in April 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** – Members can opt out of the online service and elect to receive a paper copy sent to their home address. Active members receive their statements in August. These include the current value of benefits as well as the projected benefits to their normal retirement date. Associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant. Deferred members receive their statements at the end of April. 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.

**Pensioner pay slips** – 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 Team.

**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.

### 3. 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 LPPA administration team

Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

#### Table of Actions

Action	Audience	Media	End of Year Review 2023
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	

## Schedule of communications

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Web	On commencing employment	Via employers	New employees
<a href="#">Pensions Website</a>	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
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 PensionPoint 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.

#### 4. 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

Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of PensionPoint, 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

#### Table of Actions

Action	Audience	Media	End of Year Review 2023
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face/ Online	
Review and update the pension website	Employer	Web	
Work with LPPA and Scheme employers to implement PensionPoint.	Employer	Web	
Work with LPPA and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	

#### Schedule of communications

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	Electronic	Annually	By email	All
<a href="#">Pensions Website</a>	Web	Continually available. Updated as required	Advertised on all communications	All
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

## Schedule of communications

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

**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 LPPA.

**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.

## 5. 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

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



## Table of Actions

Action	Audience	Media	End of Year Review 2023
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/ Online	

## Schedule of communications

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 <a href="http://brent.gov.uk">brent.gov.uk</a> website	Pension Committee Members and Trade Union representatives
Pensions Committee Briefings	Face to face	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Training sessions	Face to	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](http://Brent.gov.uk) website

**Pension Committee Briefings** – Pension Fund officers attend all Committee meetings and provide a verbal briefing on each 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

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

#### Table of Actions

Action	Audience	Media	End of Year Review 2023
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	

#### Schedule of communications

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the <a href="http://brent.gov.uk">brent.gov.uk</a> website	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

## **6. 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 Administration**

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.

## **7. Member Contacts**

**Member Contacts** - for general administrative queries:

Brent Pensions  
LPPA  
PO Box 1383  
Preston  
PR2 0WR

**Telephone:** 0300 323 0260

[Member contact form](#)

**Employer Contacts** – for queries on employer set up with LPPA:

**Email:** [engagment@localpensionspartnership.org.uk](mailto:engagment@localpensionspartnership.org.uk)

**Telephone:** 0300 323 0260

[Employer contact form](#)

### **London Borough of Brent Contact**

Anna McCormack  
Senior Pensions Officer  
Brent Pensions  
Brent Civic Centre  
Engineers Way  
Wembley. HA9 0FJ

**Email:** [pensions@brent.gov.uk](mailto:pensions@brent.gov.uk)

**Telephone:** 020 8937 3190