

Pension Board

Minutes

3 March 2022

Present:

Chair: Mr R Harbord

Board Members:	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members
	Dr Simon Radford	Employer Representative – Scheduled and Admitted Bodies

Apologies received: Councillor James Lee

141. Declarations of Interest

RESOLVED: To note that the declarations of interests had been published on the website and would be taken as read.

142. Minutes

RESOLVED: That the minutes of the meeting held on 16 December 2021, be taken as read and signed as a correct record, subject to the following amendment:

- Page 9 Item 10: Review of Pension Fund Committee Items (24 November 2021) - “A technical amendment to the definition of “Regulatory Capital” in the Shareholder Agreement and *Articles of Association*...”

143. Public Questions

RESOLVED: To note that no public questions had been received.

144. Petitions

RESOLVED: To note that no petitions had been received.

145. Deputations

RESOLVED: To note that no deputations had been received.

Resolved Items

146. Pensions Administration Update to 31 December 2021

The Board received a report on Pensions Administration Update for the quarter ending on 31 December 2021, which provided a summary of the Pension Administration Team's performance and updated Members on a number of other items.

During the discussion that ensued, the following points were highlighted:

- 1) The Fund membership had increased particularly with respect of the active members although a significant number of members had also retired during the last quarter.
- 2) A number of enquiries had been received on options for early retirement. While the reasons for these were unclear, it was creating an increase in the workload of the pension administration team. Should any of these enquiries materialise, there could also be significant cash flow implications for the Fund.
- 3) Under statutory provisions, Harrow Council's Pensions Team was preparing to conduct a pension re-enrolment exercise over the summer, with a target completion date of 31 July 2022. Although it was not expected that the re-enrolment would lead to a sizeable number of people joining, it was likely to increase the workload of the pension administration team.
- 4) No further updates had been received on the three complaints to the Pension Ombudsman since the last Pension Board meeting.
- 5) Updated LGPS Regulations were still being awaited although these were likely to be preceded by significant consultation in March or April 2022. The government was consulting on a number of issues including restricting investments into areas which were not considered politically acceptable as well as changes to the pooling regulations.
- 6) Referencing the government's "Levelling Up the UK" White Paper, the Board spotlighted on a statement that up to 5% of LGPS investment assets should be invested in infrastructure and how this would be

implemented in practice. It was noted that the only mandatory part for Administering Authorities would be to have a plan with the 5% target not a ceiling and 30-year time scale, which was unlikely to make this particularly onerous for Administering Authorities.

- 7) The pensions administration performance statistics were measured against the national benchmarks for the Quarter to 31 December 2021 and were set out in Appendix 1 to the officer report. Service performance remained good and case numbers were added to the performance monitoring statistics set out in Appendix 1 for completeness.

The Board welcomed the updates and commended Harrow's Administration Team for their consistent performance and high standards as demonstrated by the report.

RESOLVED: That the Report be noted.

147. Review of Pension Fund Committee Items

The Board received a report which summarised the matters due to be considered by the Pension Fund Committee Items at its next meeting on 9 March 2022 and invited the Board's comments.

During the discussion that ensued the following key points were highlighted:

- 1) At its next meeting on 9 March the Pension Fund Committee was due to consider the policies included at item 9 of the Board's agenda.
- 2) The Mazars External Audit Plan was not yet available and had been deferred from the March to the June Pension Fund Committee meeting instead.
- 3) Referencing the December 2021 valuation of the Pension Fund at Appendix 1 to the report, the Board was informed that since December the fund's value had dropped partly due to economic but also political factors linked to the Russian invasion of Ukraine. The Fund was actively working with investment managers to understand fully the impact of this situation. Although Harrow's Pension Fund's investments were all in pooled funds and the direct exposure to Russia was minimal, it was not practical to advocate divestment of these investments. In addition, within the global bond fund there was a small exposure to Russia sovereign debt and the only way to divest would be to write it off. The situation in Ukraine was being closely monitored and the Fund was working to ensure it remained compliant with sanctions as they develop. In terms of exposure to Ukrainian companies, Members were advised that there was no specific data available, but any investments would be significantly smaller, and most would be done through the passive global equity fund. The Fund's exposure to the region had been gradually reduced during January and February as the conflict between Ukraine and Russian began to escalate.

- 4) Considering inflation as a result of energy price hikes, the Board was informed that the interest rate rise would provide a boost for some of the Fund's investments but may also change the value of its liabilities. Some fluctuation was therefore possible as the Fund was entering a period of uncertainty. The Board was also advised that it was important to remain realistic, noting that many of the Harrow Fund's liabilities extended more than 30 years into the future. Members were reminded that the value of the Fund's assets was currently over £1bn which placed the Fund in a strong position relative to its liabilities.
- 5) Harrow's Pension Fund Accounts for 2021 were signed off in January 2022. This was later than originally expected and largely due to delays with the external auditors and their quality control processes for signing off the Council's main accounts. As a result, the timetable for presenting the Audit Plan to the Pension Fund Committee had been deferred until June. This would allow officers to bring the report to the Governance, Audit, Risk Management and Standards (GARMS) committee as well as comply with upcoming pre-election guidance.
- 6) Responding to a question on the review of emerging market equities, the Board was informed that the reason for this review was mainly due to GMO Equity Fund's poor performance over an extended period of time.

RESOLVED: That the report be noted.

148. Government Actuary's Department (GAD) Section 13 Report on the LGPS 2019 Triennial Valuation

The Board received a report which summarised the key points in the Government Actuary's Department Report into the 2019 LGPS Triennial Valuation. This was the third major GAD report and had been commissioned to ensure a consistency of assumptions and methodologies across the Funds and in the factors used by actuaries. Data collected as part of the valuation had been analysed and was set out in the report.

The following key points were raised:

- 1) Concerns were flagged about a number of funds due to employer contributions set at levels which appeared to be inconsistent with deficit period, required rate of return or where employer contributions had reduced while deficit recovery periods were extended (effectively shifting the burden from current to future taxpayers). Additionally, a number of recommendations were made to the Schemes' Advisory Boards and Actuaries
- 2) The Board noted that the league table set out in the report lacked sufficient detail, with the outcomes of most funds being largely similar. Overall, the differences between funds were insignificant with only one fund in the negative.

- 3) The report focused on four funds as they were considered “typical” and allowed for adequate comparisons of practices and methodologies across all other funds as well as the four main actuarial firms.
- 4) The Board noted the improvements of Harrow’s Pension Fund between 2016 and 2019. These were largely attributed to investment performance as well as level of contributions which had been high for number of years
- 5) Spotlighting on Harrow, the Board also noted that it was unusual for a Local Authority to have such a low percentage of its membership in outsourced employers and non-Harrow employers. Harrow College, which was represented in the Board’s membership was one of the largest employers in the area.

RESOLVED: That the report be noted.

149. Review of Fund Policies

As agreed at the October 2021 meeting and in preparation for the implementation of the Good Governance Review in 2022, the Board received further two Fund Policies for review - the Draft Training Policy and the Draft Fund Administration Strategy - and was asked to provide comments and recommendations on these to the Pension Fund Committee.

During the discussion that ensued the following points were raised with respect to each of the two policies:

Draft Training Policy

- 1) The Board noted that the Council had responsibility to ensure that appropriate training was provided to all Members of the Pension Fund Committee and Pension Board to enable them to make decisions and discharge their functions effectively. Reserve members were also encouraged to undertake training although their exposure and involvement in meetings was likely to be limited.
- 2) In terms of Pension Board training, the level required had already been agreed in the Terms of Reference for the Board and was considered appropriate.

The Board commended the policy and did not raise any further comments.

Draft Admin Strategy

The strategy set how the Council was going to deliver the service to scheme members and what the responsibilities of various members of staff in that line of work were.

The Board noted the strategy and did not raise any questions or comments.

RESOLVED: That the report be noted, and the two policies be recommended to the Pension Fund Committee for consideration.

150. Pension Board Work Programme for Future Meetings

Members received a report on the Pension Board Work Programme, which reviewed the Board's work programme to date, listed forthcoming meetings and invited the Board's comments on a suggested work programme for the 2022/23 Municipal Year.

The Board welcomed the work programme and noted that the Pension Board Annual Report should be considered at the Board's next meeting.

The Chair also announced that it would be necessary to agree a new date for the July meeting of the Board. A number of alternative dates were being considered and a confirmation would be circulated by Democratic Services as soon as practicable.

RESOLVED: That the Report be noted and that the new date for the July Board meeting be confirmed.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.28 pm).

(Signed) Richard Harbord
Chair