

Pension Board

Minutes

1 December 2022

Present:

Chair: Mr R Harbord

Board Members:	Pritesh Patel	Employer representative – London Borough of Harrow
	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members
	Dr Simon Radford	Employer Representative – Scheduled and Admitted Bodies

24. Declarations of Interest

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

25. Minutes

RESOLVED: That the minutes of the meeting held on 6 October 2022, be taken as read and signed as a correct record.

26. Public Questions

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

27. Petitions

RESOLVED: To note that no petitions had been received.

28. Deputations

RESOLVED: To note that no deputations had been received.

Resolved Items

29. Pensions Administration Update to 30 September 2022

The Board received a report for the quarter ending on 30 September 2022, 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 pensions administration performance statistics were measured against the national benchmarks for the Quarter to 30 September 2022 and were set out in Appendix 1 to the officer report. Officers reported a drop in performance in the last quarter, similarly to that in the previous quarter, the main reason for which were the ongoing challenges with the Council's new payroll system which had made the preparation of the pension payroll more labour intensive and had impacted on the speed at which the team carried out its work. Since October, performance had improved and was expected to be up to date with workload and backlogs by the end of the quarter. The triennial valuation was also due to be completed soon which would further reduce demand on the Pensions Team.
- (2) A response had been received from the Pension Ombudsman, recommending that a review on one of the cases be carried out and this was now in progress. No further update had been received on the other two complaints. The Board expressed their disappointment on the length of time and inadequate progress made by the Pensions Ombudsman.
- (3) Limited progress had been made by central government on the consultation on the updated LGPS Regulations and this was now likely to be delayed to early 2023.

The Board welcomed the report and raised a number of questions which were responded to as follows:

- (4) In response to a question around the performance statistics set out in Appendix 1 to the officer report and whether the number of cases can be shown to allow the Board to make an adequate comparison, officers explained that the items listed were those they had national benchmarking targets for. There was optimism that the next set of statistics would see the Pensions Team closer to targets.
- (5) In response to a question on pension members numbers for the last quarter (paragraph 3, table 1 of the officer report), the Board was informed that the significant difference (from 18,538 to 19,129) was a combination of additional staff intake at a new Harrow school, the

impact of the auto re-enrolment and a number of members who hadn't opted out by the deadline.

RESOLVED: That the report be noted.

30. Review of Pension Fund Committee Items

The Board received a report which summarised the matters due to be considered by the Pension Fund Committee (PFC) at its last meeting on 23 November 2022 and invited the Board's comments.

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

- (1) The PFC met on 23 November 2022 at the Harrow Council Hub. A training session on the audit process for the Pension Fund Annual Report and Accounts 2021/22 was delivered by Mazars.
- (2) The PFC considered a number of items including a review of the risk register and the triennial valuation, both of which were included in the agenda for today's Pension Board. The Committee also reviewed and approved the draft response to the Government consultation on climate-related financial disclosures and recommended that further work be undertaken on the draft investment policy.
- (3) Whilst noting that the Pension Fund investments were valued at £899m, as at 30 September 2022, the Board's attention was drawn to a £12m withdrawal in early October 2022 from the global equities which was made in order to meet cash settlements required for currency hedging (details in Appendix 1 to the officer report).
- (4) Funding levels had improved since the 2022 valuation, driven by the fact that the expected return had increased due to the increasing interest rate expectations, thereby significantly reducing the Fund's liabilities.

The Board welcomed the report and did not raise any questions.

RESOLVED: That the report be noted.

31. Review of Pension Fund Risk Register

The Board received a report setting out the updated Pension Fund risk register and invited the Board's comments.

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

- (1) Since the last review a new 'red' risk, relating to the Fund becoming more cash negative from 2022/23 as a result of the increase in Pensions payable and reduction in the employer contributions from April 2023, had been identified along with appropriate mitigations.

- (2) Referencing Appendix 2 to the officer report, the Board was informed that the wording of Risk 9 was being updated to reflect the ongoing impact of investment pooling and the need for additional monitoring of Fund managers' performance. Monitoring was carried out through regular meetings with the London CIV, which held managers to account and reported on their performance.

The Board suggested that a progress report on the London CIV in terms of investment performance and how it interacted with the Pension Fund Committee be presented at the next Board meeting. The Board also noted that many of the risks were not in Harrow Council's control and therefore had to be tolerated, with appropriate mitigation applied to any which were relevant to the performance of the Pension Fund.

RESOLVED: That the report be noted.

32. 2022 Triennial Valuation

Having noted the confidential Appendix 1, the Board received a progress report on the 2022 triennial valuation and sought Members' views on the draft Funding Strategy Statement.

The Local Government Pension Scheme (LGPS) Regulations required each Pension Fund to carry out a review every 3 years to evaluate its assets and liabilities. Work on Harrow's triennial valuation was underway and was being carried out by the Fund's Actuary, who would report its findings and issue a Rates and Adjustment Certificate that will set out details of the required employer contributions for each of the Fund's employers for the period 1 April 2023 to 31 March 2026.

A key part of the review process was the issuing of a Funding Strategy Statement (draft attached at Appendix 2 to the report). The purpose of the Statement was to set out how the Fund proposed to ensure it was able to meet its present and future liabilities in full and a draft was included for consultation with the Board in Appendix 2 to the officer report. It was noted that the Statement had been simplified with a number of underlying policies separated into appendices.

The final statement was expected to be agreed by Harrow Pension Fund Committee at its meeting on 29 March 2023 along with the final valuation report.

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

- (1) The Chair reminded that the role of the Pension Board was to ensure that the processes and regulations were adhered to and proposed that a collective statement on the Funding Strategy Statement be prepared by the Board for its next meeting before being referred to the Pension Fund Committee for consideration.
- (2) Members felt that it was fundamental for the solvency of the fund that the Board was involved in the consultation on the Strategy Statement

and was confident that the rates put forward by the Fund's Actuary complied with the appropriate governance. Members also noted that the role of the Board should be acknowledged in the Roles and Responsibilities section of the Strategy Statement.

- (3) The Board was informed of an online Employers Forum event scheduled to take place on 8 December 2022, at which the Actuary would present the valuation results and draft funding strategy statement to all scheme employers. It was agreed that the Board's Employer Representatives for Harrow Council and Scheduled and Admitted Bodies be invited to the event and receive copy of any papers circulated so they could be fully briefed on the discussions around the employer contributions and provide feedback to the Board.

RESOLVED: That the report be noted subject to the comments above and an invitation to the next Board meeting be extended to the Fund's Actuary.

33. 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.

Members were reminded that Pension Board training could be organised should a particular training need be identified. Details on upcoming Pension Fund Committee training sessions were also being finalised and would be shared with Pension Board members in due course.

The Board welcomed the work programme and requested that an update report on the London CIV and progress on the triennial valuation be added to the agenda for the next Board meeting.

RESOLVED: That the report be noted subject to the comments above.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.42 pm).

(Signed) Richard Harbord
Chair