



# Pension Board Agenda

**Date:** Wednesday 12 July 2023

**Time:** 6.30 pm

**Venue:** Virtual Meeting - Online

**Membership** (Quorum 3, including at least one Employer representative and one Scheme Member representative).

---

**Chair:** Mr R Harbord

**Board Members:**

- |                          |   |
|--------------------------|---|
| Councillor 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 |

**Contact:** Nikoleta Kemp, Senior Democratic and Electoral Services Officer  
Tel: 07761 405898 Email: [nikoleta.kemp@harrow.gov.uk](mailto:nikoleta.kemp@harrow.gov.uk)

Scan this code for the electronic agenda:



# **Useful Information**

## **Joining the Meeting virtually**

The meeting is open to the public and can be viewed online at [London Borough of Harrow webcasts](#)

## **Filming / recording**

This meeting may be recorded or filmed, and if you choose to attend, you will be deemed to have consented to this. Any recording may be published on the Council website.

**Agenda publication date: Tuesday 4 July 2023**

# Agenda - Part I

1. **Declarations of Interest**  
To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from all Members present.
2. **Appointment of Vice-Chair**  
To appoint a Vice-Chair for the 2023/24 Municipal Year.
3. **Minutes** (Pages 5 - 12)  
That the minutes of the meeting held on 2 March 2023 be taken as read and signed as a correct record.
4. **Public Questions**  
To note any public questions received.  
  
Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.  
  
**[The deadline for receipt of public questions is 3.00 pm, 7 July 2023. Questions should be sent to [publicquestions@harrow.gov.uk](mailto:publicquestions@harrow.gov.uk) No person may submit more than one question].**
5. **Petitions**  
To receive petitions (if any) submitted by members of the public/Councillors.
6. **Deputations**  
To receive deputations (if any).
7. **Pensions Administration Update to 31 March 2023** (Pages 13 - 22)  
Report of the Director of Finance and Assurance.
8. **Review of Pension Fund Committee Items** (Pages 23 - 30)  
Report of the Director of Finance and Assurance.
9. **Pension Board Draft Annual Report 2022-23** (Pages 31 - 38)  
Report of the Director of Finance and Assurance.
10. **Review of Pension Fund Risk Register** (Pages 39 - 54)  
Report of the Director of Finance and Assurance.
11. **Review of Pension Fund Governance Compliance Statement** (Pages 55 - 74)  
Report of the Director of Finance and Assurance.
12. **Pension Board Work Programme 2023-24** (Pages 75 - 80)  
Report of the Director of Finance and Assurance.
13. **Any Other Business**  
Which cannot otherwise be dealt with.

# Agenda - Part II - Nil

## Data Protection Act Notice

The Council will record the meeting and will make the recording available to watch on the Council's website.

**[Note:** The questions and answers will not be reproduced in the minutes.]



# Pension Board

## Minutes

### 2 March 2023

**Present:**

**Chair:** Mr R Harbord

<b>Board Members:</b>	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

<b>In attendance: (Officers)</b>	Jeremy Randall	Interim Pensions Manager Hymans Robertson
	Steven Law	

**34. Declarations of Interest**

**RESOLVED:** To note that no interests were declared.

**35. Minutes**

**RESOLVED:** That the minutes of the meeting held on 1 December 2022 be taken as read and signed as a correct record.

**36. Public Questions**

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

### **37. Petitions**

**RESOLVED:** To note that no petitions had been received.

### **38. Deputations**

**RESOLVED:** To note that no deputations had been received.

## **Resolved Items**

### **39. Pensions Administration Update to 31 December 2022**

The Board received a report, outlining the Pension Administration Team's performance for the quarter ending 31 December 2022 and updating Members on a number of other items.

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

- 1) After a slight drop in the pension administration team's performance in the previous quarter due to challenges with the new payroll arrangements and work around the triennial valuation, the performance was starting to improve, and backlogs had been reduced to manageable levels.
- 2) Work was under way on the automation of some processes such as the Members Self-Service, which was currently being tested as well as *i-connect* arrangements, which would seek to improve the quality and timeliness of data submitted by non-Harrow employers.
- 3) Active membership had seen a slight growth – it is likely that this was due to the auto-enrolment exercise carried out in the 2022. The total number of members had also increased to 19,155.
- 4) Preparations were underway for the implementation of 10.1% pensions increase from 12 April 2023.
- 5) A technical consultation on the alignment of indexation of career average scheme benefits with the tax system, the aim of which was to avoid higher earners in public sector pension scheme receiving unintended tax bills was likely to go through as published. A further technical consultation on the cost management process and implementation of McCloud was also under way although it did not include the Local Government Pension Scheme.
- 6) There had been no progress on the major consultations including investment pooling which was likely due to capacity issues at Department for Levelling Up, Housing and Communities.

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

- 7) Referencing paragraph 10 of the officer report on one of the ill-health retirement cases from October 2021, the Interim Pensions Manager explained that the Ombudsman had decided that some aspects of the process by which the Council reached a decision did not fully comply with the scheme regulations. As a result, the Council had to pay a small compensation to the individual member and reconsider the application. The case was currently with the independent registered medical practitioner and a report was being awaited in due course. No further updates had been received on the other two ill-health retirement cases. The Board was informed that as part of the Council's complaints procedure, the compensation was paid from the Council's main budget rather than the Pension Scheme funds. Members welcomed the update and requested that an outline of all Ombudsman decisions along with any lessons learned from the resolved case be included in the next performance report.
- 8) Previous payslip issues which had been caused by the change of payroll software were considered resolved and no repercussions had resulted from the Council's self-reporting the incident to the Information Commissioner.
- 9) Although no specific figures on the number of re-enrolment cases could be provided, the Board was informed of a recent Freedom of Information request on the number of people who had opted for the 50/50 scheme because of the cost-of-living crisis, which revealed there were none.
- 10) Issues arising from the pensions payroll had arisen following the recent upgrade of the Council's system from SAP to Microsoft D365 which had resulted in a number of practical problems that were taking longer than expected to resolve.
- 11) Referencing the performance monitoring statistics in Appendix 1 to the officer report in relation to the issue of statutory notification on receipt of transfer funds, the Board was informed that whilst these were considered a lower priority as they did not have an immediate impact on a member's pension situation, work would be undertaken to ensure the performance on these moves closer to the 100% target.

**RESOLVED:** That the report be noted.

#### **40. 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 forthcoming meeting on 29 March 2023 and was invited to comment.

During the discussion, the following key points were highlighted:

- 1) A training on strategic asset allocation led by the Pension Fund's Investment Consultants for members would be held on 29 March 2023

before the main PFC meeting and Pension Board Members were invited to attend.

- 2) Investment valuation increased by 3% in the last quarter, during which the Fund also carried out some rebalancing between equities and bonds to reduce the overweight positions in its equity portfolio, investing the proceeds in fixed income corporate bonds and passive index linked Gilts.
- 3) The estimated funding level had improved since the 2022 valuation and the roll forward funding level for the last quarter had increased to 112% - this related to “past service” benefits with the Fund still having to consider its long-term position and meet significant liabilities in respect of future services. The Fund will also have to meet significant liabilities in respect of future service.
- 4) The audit findings report on the Pension Fund Annual Report and Accounts were still outstanding due to a delay with the audit of the Council’s main accounts. The outcome of the audit was expected to be reported to the Governance, Audit, Risk Management and Standards Committee at its April meeting.

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

- 5) The current total value of the pension fund investment was in the region of £950 million although this may change in the next quarter.
- 6) In response to a question on the Fund’s actuarial services procurement and the impact of a potential change of Actuary on future triennial valuations, the Board was informed that the tender was required by the Council’s Standing Orders and Procurement Rules. Competition however was limited with only a handful of firms on the LGPS actuarial framework. Regardless of outcome of the procurement tender, the valuation methodology was likely to remain similar as pension legislation had narrowed the ranges of assumptions actuaries used.
- 7) In response to a question on why, in the the net current assets section of the Appendix to the report, the cash held by JP Morgan had reduced to £48,000, the Board was informed that the cash held by JP Morgan was in their role as custodian for the Fund’s the currency hedging mandate managed by Record Currency Management. This fluctuated according to whether the Fund had to make payments or receive income as a result of its hedging activity, and at times, if the balance was too high, some of it was being withdrawn to meet the Fund’s other cash flow needs.

**RESOLVED:** That the report be noted.



#### 41. 2022 Triennial Valuation

The Board received a report on the latest position of the 2022 Triennial Valuation, along with the Funding Strategy Statement and associated policies. The Valuation, which was a requirement for every pension fund (as per the Local Government Pension Scheme Regulations), was nearing completion and would be submitted for approval to the Pension Fund Committee at its meeting on 29 March 2023.

The Board also welcomed Steven Law (Harrow's Pension Fund Actuary, Hymans Robertson LLP) to the meeting, who delivered a presentation on the Triennial Valuation, explaining the process, data and assumptions, results and remaining actions, highlighting the following points:

- 1) Since the last valuation, the fund had outperformed expected investment returns resulting in net improvement of £66m, however most of this had been absorbed into paying for higher inflation costs. The result of the valuation overall was an improved funding level of 96% as of 31 March 2022, compared to 94% in 2019.
- 2) From 1 April 2023 the Fund's cash flow position was expected to "worsen" because pensions payable were expected to increase by 10.1%, while employer contributions were reducing. As a result, a long-term cash flow forecast had been produced and would be used to inform the upcoming investment strategy review.
- 3) Data from the triennial valuation demonstrated that 63% of employers had seen a reduction in their contributions rates and none had had an increase. It also demonstrated that employer contribution rates were sustainable without affecting the Fund's long-term objectives.
- 4) Final Triennial Valuation sign-off was due on 31 March 2023. Major risks, in particular expected changes to the cashflow, would need to be monitored to avoid a forced sale of assets.

The Board welcomed the presentation and did not raise any questions of the Actuary.

**RESOLVED:** That the report and presentation be noted.

#### 42. Draft Responsible Investment Policy

The Board received a report on the draft Responsible Investment Policy and consequential changes to the Investment Strategy Statement (ISS), approval of which would be sought from the Pension Fund Committee at its meeting on 29 March 2023. Members were reminded that the LGPS Regulations 2016 required pension funds to have an ISS which clearly set out how they would manage and invest their assets to enable them to meet their respective Funding Strategies.

The following key points were raised in the ensuing discussion:

- 1) Pension Regulations required funds to have a policy on how Environmental, Social and Governance considerations were taken into account in the selection, retention and realisation of investments and these were set out within the ISS (Appendix 2 to the officer report).
- 2) In terms of using voting and engagement to influence investment decisions, the Board was reminded that the Fund did not directly own shares in individual companies but instead invested in pooled funds each with its own asset owner. The asset owner for Harrow's Pension Fund was BlackRock and voting was done in line with their relevant policy. Investment managers also used the weight of the capital they were managing on behalf of pension funds as a leverage for putting pressure on companies to act in certain way. The London CIV, which managed most of the fund's active equities, also engaged Hermes to monitor voting and engagement activity of each of the CIV managers and sample reports can be shared with Board members for information.
- 3) Acknowledging the value and power of pooled funds working together to achieve "strength in numbers" when making investment decisions, the Board was advised that the London CIV already worked with Local Pensions Partnership (LPP) on a number of areas but its relationship with other pools was still relatively limited.

**RESOLVED:** That the report be noted.

#### **43. London CIV and Investment Pooling Update**

Having agreed to note the confidential appendices to the officer report, the Board received a report on the current investment pooling position and the London Borough of Harrow Pension Fund's pooling arrangements with the London Collective Investment Vehicle (LCIV). The LCIV was set up by the London Boroughs in their role as administering authorities for their respective pension funds and enabled the funds to meet government requirements, negotiate lower investment fees and gain access to certain asset classes, which a fund of Harrow's size would not be able to access cost effectively on its own.

Members heard that investment pooling was making reasonable progress - as of 31 December 2022, the London Borough of Harrow had 48.8% of its investments in LCIV funds and further 29% in passive funds. The total of pooled investments was likely to increase even further once the LCIV Renewables Infrastructure Fund and the LCIV Infrastructure Fund were fully called.

The Board was also informed of the ongoing LCIV staffing team evolution with the most significant recent change being the appointment of Dean Bowden as its new Chief Executive. An introductory meeting between Mr Bowden, Harrow's Pension Fund Chair and Lead Officers had already been convened to understand the Fund's needs and requirements.

In response to a question on how time-consuming membership of the London CIV was, the Board was informed that different layers of meetings existed,

ranging from executive to officer level and fund-development meetings, which varied in duration and frequency. In addition, the CIV ran a monthly independent advisors' group, which served as a useful platform for investment dialogue and was regularly attended by Harrow's independent pension fund advisor.

**RESOLVED:** That the report be noted.

#### **44. Pension Board Work Programme for 2023/24**

Members received a report on the Pension Board Work Programme, which reviewed the Board's work programme to date and invited the Board's comment on the suggested draft work programme for the 2023/24 Municipal Year. Members were asked to note that at the time of writing the report the meeting dates for 2023/24 had not yet been approved and published but would be circulated as soon as possible.

In response to a question about bringing the start time of future Board meetings forward to 2.30 pm, Members agreed that it would not be practicable due to conflicting work commitments, officers' availability, and other practical arrangements. It was agreed that Board meetings' start time remained as 6.30 pm.

**RESOLVED:** That the work programme be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.08 pm).

(Signed) Richard Harbord  
Chair

This page is intentionally left blank

---

**REPORT FOR: Pension Board**

---

<b>Date of Meeting:</b>	12th July 2023
<b>Subject:</b>	Pensions Administration Update to 31 March 2023
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1: Pension Administration Performance Monitoring to 31 March 2023

## **Section 1 – Summary and Recommendations**

---

This report summarises the performance of the Pensions Administration team for the quarter ended 31 March 2023 and updates the Board in respect of a number of other items.

### **Recommendations:**

The Board is requested to note the report.

## **Section 2 – Report**

1. Monitoring the service performance of the Fund is a key responsibility of the Board. The Board has been monitoring comparative pensions administration indicators since June 2017. This report provides information on performance to 31 March 2023.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 31 March 2023 are set out in Appendix 1. The numbers of cases have been included in the table to provide further contextual information about performance. The level of performance had dropped in the quarter to 30 June and was similar in the quarter to 30 September. This was linked to the impact of the Council's new payroll arrangements, which have made the preparation of the pension payroll more labour intensive, alongside the additional workload which is always required during a triennial valuation. Since early October performance has improved and is more in line with expectations. The Board is invited to comment on this performance.
3. Work on the implementation of scheme member self-service is progressing well, and the roll out to active and deferred members is continuing. Feedback from users of the facility has been positive. Work is also progressing with the implementation of i-Connect (an employer self service module). I-Connect will streamline the monthly uploading of member contribution data from each employer, replacing the current approach which uses spreadsheets. Once these technology improvements are fully operational, they will reduce the team's workload in some areas leading to further improvements in performance.
4. Table 1 below sets out the membership of the Pension Fund in the current year at 31 March 2023, with previous years at 31 March as a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

Table 1

	Pension Scheme members				
	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
Pensioners	5,795	6,004	6,196	6,460	6,975
Deferred	6,966	7,037	7,033	6,957	6,929
Active Members	5,400	5,410	5,309	5,586	5,696
% Active Members	29.7%	29.3%	28.6%	29.3%	29.1%
Total	18,161	18,451	18,538	19,003	19,600

5. The three yearly “re-enrolment” exercise for members who had previously opted out of the LGPS (which is a statutory requirement) was completed in July 2022.

### **Requirement to Report Breaches of Law**

6. The Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 16<sup>th</sup> December 2021 – the document was approved by the Pension Fund Committee at its meeting on 9<sup>th</sup> March 2022.
7. Other than the items previously reported (Annual Benefits Statements issued late in respect of the Avanti Schools Trust because of delays by the Trust in providing year end data) and the data breach in respect of a small number of payslips in April 2022), there have been no known breaches of law in the current financial year.

### **Internal Disputes Cases and Complaints**

8. Since the previous report, no further cases have been dealt with under the Internal Dispute Resolution Procedure.
9. As reported to previous meetings of the Board, two complaints which had been referred to the Pensions Ombudsman in 2021 remained outstanding. Both cases relate to decisions taken regarding ill health retirement.
10. At the Board’s request, officers contacted the Pensions Ombudsman expressing concern about the delays. In a response dated 7 November 2022, it was indicated that the case from January 2021 was likely to be passed to an adjudicator in 3-4 months, and the remaining case from October 2021 was likely to be passed to an adjudicator in 6-7 months. At the time of writing this report, no further communication had been received from the Pensions Ombudsman. This situation is clearly unsatisfactory for the complainants and reflects that the Pensions Ombudsman’s office continues to be dealing with a large number of complaints, (most of which are not related to the LGPS).

## **Payment of Employer Contributions**

11. Employer contributions are required to be paid in arrears by the 19<sup>th</sup> of each month. In the current financial year to date, all employer contributions have been paid on time. Employers are contacted if payment has not been received by the due date.

## **Update on Legislation Changes**

12. Another Government consultation on the McCloud remedy for public sector pension schemes was published in May 2023 and closed on 30 June 2023. This Consultation included draft Regulations for the LGPS. The proposals are complex – in summary they extend the “statutory underpin” in a range of circumstances, and if implemented in this form will present a significant workload for LGPS software suppliers and administration teams. A link to the Consultation is below.

[‘McCloud’ remedy in the LGPS – supplementary issues and scheme regulations - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations)

The Board should also note that in early June 2023, the Court of Appeal granted the Fire Brigades Union leave to appeal the High Court’s decision on paying implementation of McLeod remedies, which the Union claims is age discriminatory. The outcome of that case is likely to affect other public sector schemes.

13. The consultation on investment pooling and related matters is still awaited. It is currently thought that this will now be issued in the autumn of 2023. A report will be brought to the Board when the consultation is published.

## **Other Matters**

### **Scheme Advisory Board (SAB)**

14. The SAB’s most recent meeting was on 22 May 2023. Items considered included

- Cost management of the scheme
- Risk Register – this covers both the Board and the Scheme
- Compliance and Reporting - including work to update guidance on
  - Pension Fund Annual reports and accounts
  - Funding Strategy Statements
  - Knowledge and Skills Framework
- Investment Cost Transparency

15. SAB agendas and papers can be found at the following link  
<https://lgpsboard.org/index.php/about-the-board/prev-meetings>

## **Legal Implications**

16. There are no direct legal implications arising from this report.



17. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
18. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
  - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - such other matters the LGPS regulations may specify.
19. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
20. In its role, The Board will have oversight of the administration of the fund including:
  - a. The effectiveness of the decision-making process
  - b. The direction of the Fund and its overall objectives
  - c. The level of transparency in the conduct of the Fund's activities
  - d. The administration of benefits and contributions
21. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
22. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
23. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

24. There is a cost of engaging Aquila Heywood to assist in the collection of employer data in readiness to implement fully the McCloud Judgement when the new Regulations become available. The work to deliver the triennial valuation will result in additional fees payable to the Fund's actuary, Hymans Robertson. These costs are being / will be met from the Pension Fund.

## **Risk Management Implications**

25. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered elsewhere on the agenda for this meeting.
26. There are no specific risk management implications arising from this report.

## **Equalities implications / Public Sector Equality Duty**

27. Was an Equality Impact Assessment carried out? No
28. There are no direct equalities implications arising from this report, although as the Committee is aware, the McCloud Judgement arose from a Equalities Claim against another public sector pension scheme.

## **Council Priorities**

29. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**  
Signed by the Chief Financial Officer  
**Date: 3<sup>rd</sup> July 2023**

**Statutory Officer: Caroline Eccles**  
Signed on behalf of the Monitoring Officer  
**Date: 30<sup>th</sup> June 2023**

**Chief Officer: Dawn Calvert**  
Signed on behalf of the Corporate Director  
**Date: 3<sup>rd</sup> July 2023**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Bola Tobun – Treasury and Pensions Manager

Email: [Bola.Tobun@harrow.gov.uk](mailto:Bola.Tobun@harrow.gov.uk)

Telephone 020 8420 9264

**Background Papers:** None

This page is intentionally left blank

**Performance Monitoring 01/01/2023 – 31/03/2023**

<b>SERVICE</b>	<b>National Benchmarking Target</b>	<b>Harrow Achievement %</b>	<b>Cases within Target</b>	<b>Total Cases</b>
Issue letter notifying of dependent's benefit	<b>5 days</b>	<b>77.21</b>	<b>10</b>	<b>21</b>
Calculation and notification of ill health estimate	<b>10 days</b>	<b>100</b>	<b>4</b>	<b>4</b>
Calculation and notification of retirement benefits estimate	<b>10 days</b>	<b>96.77</b>	<b>30</b>	<b>31</b>
Issue letter to new pension provider detailing transfer-out quote	<b>10 days</b>	<b>83.33</b>	<b>5</b>	<b>6</b>
Calculation and notification of deferred benefits	<b>10 days</b>	<b>90.43</b>	<b>85</b>	<b>94</b>
Calculation and notification of retirement benefits	<b>5 days</b>	<b>90.91</b>	<b>20</b>	<b>22</b>
Process refund and issue payment	<b>5 days</b>	<b>100</b>	<b>10</b>	<b>10</b>
Calculation and notification of ill health benefits	<b>5 days</b>	<b>100</b>	<b>3</b>	<b>3</b>
Issue statutory notification on receipt of transfer funds	<b>10 days</b>	<b>100</b>	<b>4</b>	<b>4</b>

This page is intentionally left blank



---

**REPORT FOR: Pension Board**

---

<b>Date of Meeting:</b>	12th July 2023
<b>Subject:</b>	Review of Pension Fund Committee Items
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1 – Pension Fund Investment Valuation at 31 March 2023

## Section 1 – Summary and Recommendations

This report summarises the matters to be considered by the Pension Fund Committee at its forthcoming meeting on 31 July 2023 and invites the Board to agree any comments they might wish to make to the Pension Fund Committee.

### Recommendations:

The Board is requested to note the report and comment as necessary.

## Section 2 – Report

1. The Pension Fund Committee last met on 29 March 2023. The Board reviewed the items which the Committee considered at its meeting on 2 March 2023.
2. The Committee's next meeting is on 31 July 2023. The items to be considered are summarised in the table below. Several of the items are the subject of separate reports to be considered elsewhere on this agenda, providing the opportunity for the Board's comments to be forwarded to the Committee.
3. The current draft list of items for the Committee's meeting on 31 July 2023 is as follows:

Report	Comments
<b>Part I</b>	
Performance Dashboard and Update on Regular items	The Committee will review the position of the Fund at the end of Q1 2023 (31 March 2023), receive an update on things which have happened in the current quarter and be asked to agree a draft work programme for the Committee for the rest of the 2023-24 municipal year.
Review of Governance Compliance Statement	The Committee will be asked to review and approve the Statement.  This item is to be considered elsewhere on this agenda, providing an opportunity for the Board to comment on the draft statement.
Review of Pension Fund Risk Register	The Committee will be asked to review and comment upon the Register.



	This item is to be considered elsewhere on this agenda, providing an opportunity for the Board to comment on the register.
<b>Part II</b>	
Performance Dashboard and Update on Regular items	The Committee will consider comments / reports from the Investment Consultant and an Independent Advisor on investment managers' performance. These reports will be considered in part II because of the sensitive nature of investment decisions.
Review of Investment Strategy	Following the Triennial Valuation, it is best practice to consider whether the Fund's Investment strategy and asset allocation remain appropriate. This report will be the start of that process and will be considered in part II because of the sensitive nature of investment decisions.

4. The Pension Fund's investments were valued at £956m at 31 March 2023. The details of the valuation are shown at appendix 1.
5. With the exception of property, which fell in value, the value of most of the Fund's investments was broadly stable or increased slightly during the quarter, after the instability which occurred at the end of September 2022. The Fund carried out some rebalancing to reduce the overweight positions in its equity portfolio, investing the proceeds in fixed income - corporate bonds and passive index linked Gilts. There were also further drawdowns of the Fund's commitments to the LCIV Infrastructure Fund and the LCIV renewables Infrastructure Fund.
6. The Fund's past service liabilities at 31 March 2023 totalled £851m meaning the Fund was approximately 112% funded. This estimate of liabilities is simply a rolled forward projection based on the 2022 triennial valuation. The estimated funding level has improved since the 2022 valuation. This is driven by the fact that the expected return (discount rate) has increased materially since the valuation largely driven by increasing interest rate expectations. This has reduced the liabilities substantially. The assets have held up well over what was a period of turbulence in financial markets and have not dropped to the same extent as the liabilities – hence the increased funding level. This update is at a single point in time and follows a period of volatility in markets. Further market movements will lead to further fluctuations in funding level.
7. It should be noted also that the 112% funding level relates only to “past service” benefits (i.e. service accrued to date). As a scheme which is “open” (i.e. both to future accrual of benefits for existing members and to new joiners), the Fund will also have to meet significant liabilities in

respect of future service, which will in turn depend on pay levels and other factors.

8. At 31 March 2023, the value of the Fund's investments was £956m. At that date, 77.8% of the Fund's investments were pooled or in passive investments which are regarded as being pooled.

### **Audit of Pension Fund Annual Report and Accounts 2021-22 and Pension Fund Annual Report and Accounts for 2022-23**

9. The audit of the Pension Fund Annual Report and Accounts is being carried out by Mazars. As previously reported, this audit is largely complete – there have been no material changes to the draft accounts presented to the Board in October 2022, and only a small number of presentational and disclosure changes to some of the Notes to the accounts. However, the audit cannot be completed until the audit of the Council's own accounts is finalised – the reason for this is that until that happens the auditor is required to confirm that the Pension Fund Annual Report and Accounts align with the Council's main accounts, and there are some technical issues being worked through in respect of the latter. More recently, auditors have taken the view that because the 2022 triennial valuation results are available, the IAS 19 and IAS 26 calculations of pension liabilities have to be updated to use that data (rather than a "roll forward" from the 2019 valuation. This has further delayed the audit. Other LGPS funds and administering authorities are experiencing similar issues. The auditors will be reporting to the next meeting of the Governance, Audit, Risk Management and Standards Committee in July 2023.
10. At the time of writing this report the draft Pension Fund Annual Report and Accounts 2022-3 had not been completed. This document will be brought to the Board's next meeting on 30 October 2023.

### **Legal Implications**

11. There are no direct legal implications arising from this report.
12. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
13. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
  - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and

- such other matters the LGPS regulations may specify.
14. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
  15. In its role, The Board will have oversight of the administration of the fund including:
    - a. The effectiveness of the decision-making process
    - b. The direction of the Fund and its overall objectives
    - c. The level of transparency in the conduct of the Fund's activities
    - d. The administration of benefits and contributions
  16. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
  17. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
  18. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

19. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no direct financial implications arising from this report.

## **Risk Management Implications**

20. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered by the Board at this meeting.
21. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy

## **Equalities implications / Public Sector Equality Duty**

22. Was an Equality Impact Assessment carried out? No
23. There are no direct equalities implications arising from this report.

## **Council Priorities**

24. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 3<sup>rd</sup> July 2023**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 30<sup>th</sup> June 2023**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 3<sup>rd</sup> July 2023**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Bola Tobun – Treasury and Pensions Manager

Email: [Bola.Tobun@harrow.gov.uk](mailto:Bola.Tobun@harrow.gov.uk)

Telephone 020 8420 9264

**Background Papers:** None

Fund Valuation and Performance																
March 2022 to March 2023																
Asset Class	Value 31.03.2022 £'000	Value 30.04.2022 £'000	Value 31.05.2022 £'000	Value 30.06.2022 £'000	Value 31.07.2022 £'000	Value 31.08.2022 £'000	Value 30.09.2022 £'000	Value 31.10.2022 £'000	Value 30.11.2022 £'000	Value 31.12.2022 £'000	Value 31.01.2023 £'000	Value 28.02.2023 £'000	Value 31.03.2023 £'000	Allocation 31.03.2023 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>																
LCIV - Global Equity Focus Fund	127,495	124,788	125,859	121,282	130,520	129,994	117,181	121,923	110,130	105,742	110,897	109,821	110,100	12	10	
LCIV - Blackrock Passive	269,113	260,570	255,224	241,501	257,001	261,414	242,976	243,311	231,630	226,691	234,134	234,945	233,414	24	24	
LCIV - Sustainable Equity Fund	73,314	68,921	68,967	66,897	71,786	71,767	67,920	68,672	71,638	67,564	69,645	68,324	67,704	7	8	
LCIV - Emerging Market Equity Fund	0	2,073	33,476	62,393	71,203	74,269	69,923	65,131	72,475	71,497	75,551	72,599	73,527	8	8	
GMO	71,839	69,436	37,436	6,856	0	0	0	0	0	0	0	0	0	0	0	
Record passive currency hedge	-4,041	-9,303	-8,929	-15,936	-7,141	-15,857	-23,461	3,150	8,086	8,649	12,575	10,421	13,747	1	0	
<b>Total Global Equities</b>	<b>537,719</b>	<b>516,484</b>	<b>512,033</b>	<b>482,993</b>	<b>523,370</b>	<b>521,587</b>	<b>474,540</b>	<b>502,187</b>	<b>493,960</b>	<b>480,143</b>	<b>502,801</b>	<b>496,110</b>	<b>498,492</b>	<b>52</b>	<b>50</b>	<b>45-55</b>
														Inc Hedging		
<b>Diversifying Return Assets</b>																
<b>Diversified Growth Fund</b> - Insight Property - LaSalle	93,776	92,072	86,519	83,304	81,404	78,084	65,927	66,056	67,082	66,407	67,528	66,878	66,873	7	5.5	
<b>Renewables</b> - LCIV Renewables Fund	71,330	71,619	71,935	73,515	73,380	72,986	70,087	68,417	66,851	60,780	60,213	60,028	59,898	6	6	
<b>Infrastructure</b> - LCIV Infrastructure	13,833	11,210	12,111	12,111	12,253	13,014	17,984	17,984	19,237	17,984	19,505	20,298	22,370	2	5	
<b>Private Equity</b> - Pantheon	31,347	31,347	31,347	34,846	34,846	41,472	43,304	47,560	48,055	50,091	50,091	50,091	50,091	5	7.5	
	5,371	5,371	5,371	5,218	5,218	5,218	4,877	4,877	4,877	4,695	4,695	4,695	4,311	0	1	
<b>Total Diversifying Return Assets</b>	<b>215,658</b>	<b>211,619</b>	<b>207,284</b>	<b>208,995</b>	<b>207,101</b>	<b>210,775</b>	<b>202,178</b>	<b>204,894</b>	<b>204,848</b>	<b>201,210</b>	<b>202,032</b>	<b>201,990</b>	<b>203,544</b>	<b>21</b>	<b>25</b>	<b>20-30</b>
<b>Risk Control Assets</b>																
<b>Bonds</b> - Blackrock - FI Corp	42,083	39,930	38,869	35,997	37,659	34,279	29,817	31,517	46,610	44,246	46,410	45,296	46,539	5	5	
<b>Bonds</b> - Blackrock - IL passive LCIV	46,463	43,079	39,265	37,178	39,413	36,064	33,243	31,405	44,724	41,959	43,658	41,303	44,225	5	5	
<b>Alternatives</b> - LCIV Alt Credit Fund	103,777	102,592	100,124	95,414	96,924	97,823	93,952	94,199	96,243	96,500	100,222	101,111	98,277	10	10	
<b>Bonds</b> - LCIV Global Bond Fund	46,816	44,695	44,739	43,243	44,409	43,358	41,325	40,653	42,679	42,316	43,472	42,919	43,613	5	5	
<b>Total Risk Control Assets</b>	<b>239,138</b>	<b>230,296</b>	<b>222,996</b>	<b>211,832</b>	<b>218,406</b>	<b>211,524</b>	<b>198,338</b>	<b>197,774</b>	<b>230,257</b>	<b>225,021</b>	<b>233,763</b>	<b>230,629</b>	<b>232,654</b>	<b>24</b>	<b>25</b>	<b>20-30</b>
<b>Cash &amp; NCA</b>																
Cash Managers (Blackrock)	10,736	10,740	10,746	7,755	7,765	7,773	7,784	5,796	10,807	10,822	10,851	10,883	10,915			
Cash NatWest	7,288	9,319	12,214	9,914	10,095	5,252	13,091	9,098	8,760	7,464	5,750	7,404	7,728			
Cash Custodian (JP Morgan)	5,977	3,382	3,381	3,380	280	280	279	49	49	48	28	28	27			
Blackrock Dividends (Pending Reinvestment)	291	291	578	578	579	865	868	868	868	1,317	1,195	484	491			
Debtors and Creditors	1,054	1,368	-1,414	3,261	1,058	1,401	1,529	1,285	1,187	2,250	1,551	1,586	1,500			
CIV Investment	150	150	150	150	150	150	150	150	150	150	150	150	150			
<b>Total Net Current Assets</b>	<b>25,496</b>	<b>25,251</b>	<b>25,656</b>	<b>25,039</b>	<b>19,928</b>	<b>15,721</b>	<b>23,701</b>	<b>17,246</b>	<b>21,820</b>	<b>22,050</b>	<b>19,525</b>	<b>20,534</b>	<b>20,811</b>	<b>2</b>	<b>0</b>	
<b>Total Assets</b>	<b>1,018,011</b>	<b>983,650</b>	<b>967,969</b>	<b>928,858</b>	<b>968,805</b>	<b>959,607</b>	<b>898,757</b>	<b>922,102</b>	<b>950,884</b>	<b>928,425</b>	<b>958,121</b>	<b>949,263</b>	<b>955,501</b>	<b>100</b>	<b>100</b>	
<b>Assets Pooled</b>																
- LCIV Funds	39.0%	39.2%	43.0%	47.0%	47.7%	49.2%	50.2%	49.5%	48.3%	48.8%	49.0%	49.0%	48.7%			53.5%
- Other (Passive) Funds - Regarded as Pooled	31.0%	30.9%	30.4%	30.0%	30.6%	31.0%	30.7%	29.8%	29.1%	28.9%	29.0%	29.1%	29.0%			29.0%
<b>Total % Pooled</b>	<b>70.0%</b>	<b>70.1%</b>	<b>73.5%</b>	<b>77.0%</b>	<b>78.3%</b>	<b>80.2%</b>	<b>81.0%</b>	<b>79.3%</b>	<b>77.4%</b>	<b>77.7%</b>	<b>78.0%</b>	<b>78.1%</b>	<b>77.8%</b>			<b>82.5%</b>
													Invested Directly in funds managed by LCIV	465,682.3	49%	
													Invested in Funds classed as Pooled with LCIV	277,639.5	29%	
													Invested with Other Fund Managers	191,368.0	20%	
													Cash/Other Assets held by Fund	20,811.4	2%	

Cash and Net Current Assets													
	31/03/21	30/04/22	31/05/22	30/06/22	31/07/22	31/08/22	30/09/22	31/10/22	30/11/22	31/12/22	31/01/23	28/02/23	31/03/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Debtors in Profit Centre 210</b>													
134000 - AR Debtors	1,980.00	990.00	5,490.00	5,790.00	19,087.86	17,107.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00
135000 - Debtor Accruals	767,483.40	767,483.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
135500 - Pension Fund Tax Def	140,229.00	140,229.00	140,229.00	140,229.00	0.00	140,229.00	140,229.00	140,229.00	140,229.00	140,229.00	140,229.00	176,265.07	176,265.07
134300 - Cash owed By LSH		896,439.69	-1,496,336.38	3,667,701.12	1,356,278.65	1,392,758.14	1,424,940.64	1,371,999.38	1,239,720.12	2,194,664.27	1,398,537.14	1,437,233.69	
Actual Cash Balance with NWB		9,319,339.85	12,213,726.08	9,914,078.49	10,095,255.52	5,252,201.75	13,091,367.95	9,098,473.18	8,759,784.30	7,463,991.31	5,749,550.65	7,403,937.96	0.00
		11,123,481.94	10,863,108.70	13,727,798.61	11,470,622.03	6,802,296.75	14,656,537.59	10,610,692.56	10,139,733.42	9,798,884.58	7,324,362.86	9,017,436.72	0.00
<b>Creditors in Profit Centre 210</b>													
234000 - AP Creditors	-814,739.02	30,297.33	-8,306.46	-533,936.88	-314,914.27	-129,642.91	-11,019.04	-62,906.84	-169,010.49	-88,275.15	-5,845.74	-10,132.14	
234500 - GR / IR	30,853.86	-10,000.00	-22,253.00	-16,250.92	0.00	-16,290.84	-16,290.84	-62,960.65	-20,466.67	-13,098.00	-15,357.00	-15,357.00	
214000 - IRS 350 ICT Liability	-9,039.06	-9,039.06	-1,647.26	-2,390.06	-1,970.67	-3,519.09	-9,039.06	-1,584.28	-3,686.46	-3,938.33	-2,267.07	-2,502.74	
235000 - Creditors Accruals	-447,382.59	-447,382.59	-30,854.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
		-436,124.32	-63,060.88	-552,576.86	-316,884.94	-149,452.84	-36,348.94	-227,451.77	-193,163.62	-85,311.48	-23,463.81	-27,991.88	0.00
<b>Debtors and Creditors</b>													
Debtors	11,123.48	10,863.11	13,727.80	11,470.62	6,802.30	14,656.54	10,610.69	10,139.73	9,798.89	7,324.35	9,017.44	0.00	
Creditors	-436.12	-63.06	-552.58	-316.88	-149.45	-36.35	-227.45	-193.16	-85.31	-23.46	-27.99	0.00	
Less NWB Cash	-9,319.34	-12,213.73	-9,914.08	-10,095.26	-5,252.20	-13,091.37	-9,098.47	-8,759.78	-7,463.99	-5,749.55	-7,403.94	0.00	
<b>Total debtors and creditors</b>	<b>1,368.02</b>	<b>-1,413.68</b>	<b>3,261.14</b>	<b>1,058.48</b>	<b>1,400.64</b>	<b>1,528.82</b>	<b>1,284.77</b>	<b>1,186.79</b>	<b>2,249.58</b>	<b>1,551.34</b>	<b>1,585.51</b>	<b>0.00</b>	
<b>Call Account</b>		5,132.89	5,133.34	5,133.76	5,134.17	5,134.63	5,135.56	5,137.23	5,140.33	5,143.92	5,147.75	5,147.75	Cash NWB Call
<b>Current Account</b>		9,314,206.96	12,208,592.74	9,908,944.73	10,090,121.35	5,247,067.12	13,086,232.39	9,093,335.56	8,754,643.97	7,458,847.39	5,744,402.90	7,398,790.21	Cash NWB Current
		9,319,340	12,213,726	9,914,078	10,095,256	5,252,202	13,091,368	9,098,473	8,759,784	7,463,991	5,749,551	7,403,938	0.000



---

**REPORT FOR: Pension Board**

---

<b>Date of Meeting:</b>	12th July 2023
<b>Subject:</b>	Pension Board Draft Annual Report 2022-23
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1: Pension Board Draft Annual Report 2022-23

## **Section 1 – Summary and Recommendations**

---

The Pension Board's Terms of Reference require the presentation of an annual report to the Full Council. This report sets out actions taken by Pension Board in the year to 31<sup>st</sup> March 2023 and invites the Board to agree any further comments or changes that it wishes to make to the report.

### **Recommendations:**

The Board is requested to review and comment on the draft annual report and subject to any amendments, to refer the final report to the Council.

## **Section 2 – Report**

1. The Pension Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013. Its role is to assist the Council as the administering authority of the Local Government Pension Scheme (LGPS) in relation to the following:
  - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS,
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - such other matters as the LGPS regulations may specify
2. The Board's Terms of Reference require it to present a report on its work to Full Council once a year. The draft report, which covers the Board's work in the year to 31 March 2023, the sixth year of its operation, is attached at appendix 1.

## **Legal Implications**

3. There are no direct legal implications arising from this report.
4. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
5. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
  - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - such other matters the LGPS regulations may specify.



6. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
7. In its role, The Board will have oversight of the administration of the fund including:
  - a. The effectiveness of the decision-making process
  - b. The direction of the Fund and its overall objectives
  - c. The level of transparency in the conduct of the Fund's activities
  - d. The administration of benefits and contributions
8. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
9. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
10. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

11. All associated costs to work planned are being met by the Pension Fund.

## **Risk Management Implications**

12. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered elsewhere on the agenda for this meeting.
13. There are no specific risk management implications arising from this report.

## **Equalities implications / Public Sector Equality Duty**

14. Was an Equality Impact Assessment carried out? No
15. There are no direct equalities implications arising from this report.

## **Council Priorities**

16. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 3<sup>rd</sup> July 2023**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 30<sup>th</sup> June 2023**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 3<sup>rd</sup> July 2023**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Bola Tobun – Treasury and Pensions Manager

Email: [Bola.Tobun@harrow.gov.uk](mailto:Bola.Tobun@harrow.gov.uk)

Telephone: 020 8420 9264

**Background Papers: None**

# **LONDON BOROUGH OF HARROW PENSION BOARD**

## **2022-23 ANNUAL REPORT (draft)**

### **Background**

The Local Pension Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013 (The Act).

The Pension Board has responsibility for assisting the Council as the administering authority of the Local Government Pension Scheme (LGPS) in relation to the following:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- such other matters as the LGPS regulations may specify.

The Act provides for the Board membership to be of equal numbers of “employer representatives” and “scheme member representatives”. In addition we have an Independent Member who is currently the Chair of Pension Board.

Harrow Pension Board’s Terms of Reference require the Board to present a report on its work to the Full Council once a year.

This report covers the work of the Pension Board to 31<sup>st</sup> March 2022 – the seventh year of operation of the Harrow Pension Board.

### **Meetings**

Pension Board normally meets quarterly and held its first meeting on 25 June 2015. The current Chair, Richard Harbord and Vice Chair, Gerald Balabanoff were appointed at that meeting and have been re-appointed to those posts annually since that date.

The Board’s Terms of Reference indicate that it will meet at least twice and not more than four times a year. The Pension Regulator’s expectation is that LGPS Pension Boards will meet four times a year.

During 2022-23, the Board met four times.

### **Role and Terms of Reference**

We understand our role and are generally happy with the generic nature of the Terms of Reference, which we reviewed in October 2019. However, our view is that we should meet more than twice a year and that the periods of office of the various members should be staggered to avoid the potential loss of too much experience at one time.

We have requested that the membership of Pension Board is extended to ensure that each meeting is quorate. The current terms of reference make no provision for reserve members.

We have also requested that all reports from Pension Fund Committee, including exempt reports, be made available for review by Pension Board on a timely basis.

### Knowledge and Understanding of the Local Government Pension Scheme

To assist in our understanding and to assist in our scrutiny role, we have been provided with a large amount of information about the Scheme, usually with an officer's commentary, including

- Annual Report and Accounts
- Governance Compliance Statement
- Investment Strategy Statement
- Pension Fund Risk Register
- Policy for Reporting Breaches of Law
- Policy for Avoiding Conflicts of Interest
- Pension Fund Administration Strategy
- Pension Fund Training Policy

### Relationship with Pension Fund Committee

At each meeting, the Board have been advised of the agendas of, and decisions taken by, the Pension Fund Committee at its recent meetings. Our views have, in turn, been reported to the Committee. The Board has also been invited to attend the Committee meetings and the training sessions held prior to each meeting.

A recurring theme throughout the year has been the legal advice that members of the Board are not entitled to remain at the Committee's meetings when exempt papers are discussed even though Board members are expected to abide by the Council's Code of Conduct.

Since 2018-19 the Pension Board has been referring Pension Board minutes and recommendations to Pension Fund Committee. During 2022-23, the Board was again asked to review a number of draft policies before these were submitted to the Pension Fund Committee for final approval. This approach to policy development and review has been helpful, and the Committee intends to continue this approach in future.

### Annual Report and Financial Statements

We were again invited to consider the Annual Report and Financial Statements for the Pension Fund, together with their various attachments and the reports of the Auditor. The areas in which we expressed particular interest have been:

- Actuarial assumptions and actuarial valuation results
- Employer contributions
- The prospect of the funding deficit being recovered in 20 years
- The performance of the Fund and the way it is discussed in reports to facilitate the scrutiny process

- Local Government Pension Scheme Pooling Arrangements through the London Collective Investment Vehicle (LCIV)

We have received reports on the 2022 Triennial valuation, including a presentation from the Fund's actuary, and considered the draft Funding Strategy statement and Investment Strategy Statement arising from the Valuation.

We reviewed the Fund's Risk Register and Governance Compliance Statement, and received a report on the London Collective Investment Pooling arrangements.

### Benchmarking and key performance indicators

We have shown particular interest in benchmarking and key performance indicators.

Traditionally, reliable benchmarking and comparison information covering all administering authorities has not been available. However, recent Government requirements in the context of the pooling arrangements have necessitated the provision of relatively consistent information from all administering authorities.

We have also asked for refinement to pension administration reporting to better understand performance against key performance indicators. KPI's have been considered as a standing item since June 2017. Pension Board receives confirmation of breaches of law and has been assured that annual benefit statements are issued on time.

### Environmental, Social and Governance Issues (ESG)

The Board supports the Committee's stance in expecting fund managers to adopt appropriate codes of practice and that they are required to provide an explanation when they do not. As part of this we reviewed the draft Responsible Investment Policy before it was approved by the Committee and considered a report on proposals for accounting for climate change (TCFD).

## **Training**

Pension Board members are invited to the regular training sessions which take place before pension Fund Committee meetings and Board members have also availed themselves of other relevant training including that offered by CIPFA.

## **Conclusion**

The regulations governing Pension Boards are contained in the Local Government Pension scheme (Amendment) (Governance) 2015 Regulations 2015 (SI2015/57)

The main provisions are:

- “(1) Each administering authority shall no later than 1<sup>st</sup> April 2015 establish a pension board (“a local pension board”) responsible for assisting it –
- (a) to secure compliance with –
- (i) these Regulations,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

(iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

Essentially the role of the Pension Board is one of Scrutiny and our role is wholly advisory.

The Board looks forward to consolidating performance in the current year and continuing to develop its role as an effective body for scrutiny and improvement.



---

**REPORT FOR: Pension Board**

---

**Date of Meeting:** 12th July 2023

**Subject:** Review of Pension Fund Risk Register

**Responsible Officer:** Dawn Calvert, Director of Finance and Assurance

**Exempt:** No

**Wards affected:** Not applicable

**Enclosures:** Appendix 1 - Risk Score Summary  
Appendix 2 - Pension Fund Risk Register - Key Risks (Red or Amber rated)  
Appendix 3 - Pension Fund Risk Register - Lower Risks (Green rated)

## **Section 1 – Summary and Recommendations**

---

This report sets out the updated Pension Fund Risk Register for the Board to review.

### **Recommendations:**

The Board is requested to consider the updated risk register and comment accordingly.

## **Section 2 – Report**

### **Background**

1. In accordance with best practice the Pension Fund has a risk register which was first considered by the Pension Fund Committee in March 2015. The risk register has since been reviewed regularly, and will be reviewed at the Committee's meeting in July 2023.
2. In reviewing the existing risk register, officers have followed the Council's standard practice and approach to the scoring of each risk (assessing the likelihood and impact on the Pension Fund) – this is set out at Appendix 1, which also indicates which risk numbers are associated with each risk score.
3. The revised presentation of the risks agreed by the Pension fund Committee in November 2020 is retained. This highlights in a single list (Appendix 2) the twelve risks whose scores equate to an "Amber" (8 risks) or "Red" rating (5 risks). It is these risks which are likely to have the biggest impact on the Fund and hence require particularly close attention.
4. Those risks which are considered lower and whose current scores equate to a "green" rating" (24 Risks) are shown in appendix 3. As agreed in November 2020, those risks which are really "business as usual" activity and managed operationally on a day to day basis have been removed from the risk register. Those continue to be scored as "likelihood is very low or almost impossible", and "impact is marginal or negligible" (E3, E4 or F3). This action does not preclude any of the items being escalated to the significant risks list should they increase in likelihood or impact in the future.
5. A number of the key risks are unchanged since the last review. However, further mitigations have been identified against some of those risks shown in Appendix 2.
6. At the last review, a new red risk was identified – this relates to the Fund becoming more cash negative from 2022/23 as a result of the increase in Pensions payable (this is linked to the Consumer Prices Index - CPI) and a reduction in the employer contributions from April 2023. In the register, the approaches to mitigating this risk by ensuring adequate liquidity in the Fund's investments are set out. The actuary has



developed a long-term cash flow model which is being used to inform the Fund's review of its Investment Strategy which is currently in progress. Once that work has been completed it is expected that the risk will be reduced, at least to amber. The cash flow position does not at this point impact on the long-term solvency of the Fund – this is addressed in the Triennial Valuation and was reflected in the Funding Strategy Statement approved by the Pension Fund Committee at its meeting on 29 March 2023.

7. As previously reported, three of the four “red risks” relate to the performance of the Fund's Investments. These, and some of those risks scored amber are linked to the impact of economic and market events which are outside of the Fund's control. Therefore, whilst the Pension Fund Committee puts in place a range of mitigatory measures (for example diversification between asset classes and managers, the engagement of appropriately qualified external professionals to provide investment or actuarial advice, and regular monitoring and review of the fund's investments and liabilities), ultimately these risks cannot be eliminated or managed down to a level where the impact is negligible. They have to be tolerated whilst continuing to apply these mitigating measures appropriately.
8. The remaining red risk relates to the Regulatory impact of Court judgements, particularly the McCloud Judgement, which the Pension Fund Committee has previously been made aware of. Work to mitigate this risk by collecting additional historic data from employers continues. At present the Government has still not provided details of how McCloud will be implemented in the LGPS, and until this happens the precise impacts cannot be quantified.

## **Legal Implications**

9. There are no direct legal implications arising from this report.
10. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
11. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
  - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - such other matters the LGPS regulations may specify.
12. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

13. In its role, The Board will have oversight of the administration of the fund including:
- a. The effectiveness of the decision-making process
  - b. The direction of the Fund and its overall objectives
  - c. The level of transparency in the conduct of the Fund's activities
  - d. The administration of benefits and contributions
14. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
15. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
16. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

17. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no specific financial implications arising from this report.

## **Risk Management Implications**

18. Risk Management is the subject of this report – one of the key governance requirements for the Pension Fund is the appropriate management of risk and maintaining a separate a risk register helps to regulate that process effectively.

## **Equalities implications / Public Sector Equality Duty**

19. Was an Equality Impact Assessment carried out? No
20. There are no direct equalities implications arising from this report.

## **Council Priorities**

21. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 3<sup>rd</sup> July 2023**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 30<sup>th</sup> June 2023**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 3<sup>rd</sup> July 2023**

## **Mandatory Checks**

**Ward Councillors notified: Not applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Bola Tobun – Treasury and Pensions Manager

Email: [Bola.Tobun@harrow.gov.uk](mailto:Bola.Tobun@harrow.gov.uk)

Telephone 020 8420 9264

**Background Papers:** None

This page is intentionally left blank

## PENSION FUND RISK REGISTER

LIKELIHOOD				
A Very high				
B High				
C Significant	G22	4,5,7	8, 9, 10, 12,13	
D Low	G21	G1, G5, G6, G8, G9, G10, G14	1, 2, 3, 6, 11	
E Very Low		G2	G3, G4, G7, G12, G13, G15, G16, G17, G18, G19, G20, G23, G24	
F Almost Impossible			G11	

**IMPACT**  
 4 Negligible Impact/Benefit    3 Marginal Impact / Minor Benefit    2 Critical Impact / Major Benefit    1 Catastrophic Impact / Exceptional Benefit

## DEFINITION OF TERMS

LIKELIHOOD	
<b>A Very high</b>	Greater than 80% (almost certainly will occur)
<b>B High</b>	51-80% (more likely to occur than not)
<b>C Significant</b>	25-50% (fairly likely to occur)
<b>D Low</b>	10-24% (low, but could occur)
<b>E Very Low</b>	3-9% (extremely unlikely)
<b>F Almost Impossible</b>	0-2%

  

IMPACT	
<b>Catastrophic</b>	Services could not be sustained or major project fails to deliver
<b>Critical</b>	Serious disruption to services
<b>Marginal</b>	Small effect on services
<b>Negligible</b>	Trivial effect on services

This page is intentionally left blank

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
<b>REGULATORY</b>									
1	Changes to national pension requirements and/or HMRC rules not being implemented.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate.	D2	D2	Officers monitor current developments through liaison with suppliers and specialist advisers, and participation in network discussions with peers in other LGPS funds.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
<b>FUNDING - ASSETS AND LIABILITIES</b>									
2	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations, and monitored between those valuations. Funding Strategy Statement sets out plans / approach to ensure that assets are sufficient to meet liabilities in full over the long term (lifetime of the Fund). The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling (to determine contribution rates) allows for the probability of the fall in returns on Government bonds within a long term context.	D2	D2	The 2022 Triennial Valuation now completed. That identified an improvement in the funding level of past service liabilities, and set employer contribution rates which are appropriate to ensure the long term solvency of the Fund. The valuation process included "stress testing" of a number of scenarios to determine whether the long term funding plan is sufficient to withstand "unexpected shocks". A further review of the Investment Strategy is underway, to ensure that this remains appropriate going forward.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
3	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy and Investment Strategy Statements are regularly reviewed in line with the triennial valuation with the objective of ensuring the long term solvency of the Fund.	D2	D2	The Fund receives quarterly updates of its valuation based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
4	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks.	C3	C3	The Fund receives quarterly updates of its valuation based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	C3	ongoing	Director of Finance

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
5	Demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed to ensure that they remain appropriate.	C3	C3		Treasury and Pensions Manager	C3	ongoing	Director of Finance
<b>FUNDING - INVESTMENT STRATEGY</b>									
6	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Independent Advisors provide additional scrutiny, testing and validation of their work. Investment strategy options are considered as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its asset allocation strategy.	D2	D2	The review of the Investment Strategy is in progress.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
7	Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required. Fund rebalancing to benchmark allocation is considered on a quarterly basis against relevant triggers.	C3	C3		Treasury and Pensions Manager	C3	ongoing	Director of Finance
8	General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance.	C2	C2		Treasury and Pensions Manager	C2	ongoing	Director of Finance



**PENSION FUND RISK REGISTER -  
KEY RISKS**

49

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
9	Failure by fund managers to achieve benchmark (passive) or performance target (active) returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of "due diligence." Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser's report; poor performance is highlighted and addressed by the Committee and officers. Most of the Fund's investments are now managed via London CIV. LCIV monitors the underlying managers and updates client funds regularly on the outcome. Regular dialogue is maintained with the investment advisers, LCIV and "off pool" managers. The Committee meets LCIV and off pool managers periodically, and officers maintain regular contact. Procurement frameworks and adviser's advice are used to fast track the appointment of new managers if changes are required	C2	C2	As Investment pooling is progressed, the London CIV adds an additional level of monitoring and scrutiny of managers, and offers options to improve speed of implementation if changes in manager are required.	Treasury and Pensions Manager	C2	ongoing	Director of Finance
10	Fund assets fail to deliver returns in line with anticipated returns underpinning the triennial valuation	Long term returns are anticipated on a prudent basis and progress is analysed on at least a three year's basis. Assets are invested on the basis of specialist advice in a suitably diversified manner across asset classes, geographies, managers etc.	C2	C2		Treasury and Pensions Manager	C2	ongoing	Director of Finance
NEW	<b>CASH FLOW</b>								
	<b>OPERATIONAL</b>								
11	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D2	With small teams it is in practice difficult to eliminate this risk. However, mitigating measures to improve resilience include training team members to enable coverage of key tasks to be maintained.	Treasury and Pensions Manager	D2	ongoing	Director of Finance

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
12	Regulatory impact of court judgements creates significant administrative workload	McCloud judgement, relating to "age equality" impact of transitional arrangements for the move from the 2008 "final salary" to the 2014 "career average" scheme requires review and recalculation for a significant part of the Fund's members.	C2	C2	Discussions ongoing at national level, including with software suppliers, to set a realistic timescale for implementation of changes. Officers monitoring these discussions whilst assessing workload impacts and possible approaches to manage this.	Treasury and Pensions Manager	C3	ongoing	Director of Finance
<b>CASH FLOW</b>									
13	The Fund requires sufficient liquidity to pay pensions as these fall due. The Fund is already slightly cash flow negative - this will increase from April 2023.	The recent significant increase in inflation is likely to lead to a similar (10.1%) increase in pensions payable from April 2023, while at the same time the contributions payable by employers will decrease as a result of the long term funding position identified in the 2022 triennial valuation.	C2	C2	The Fund's strategic asset allocation means that 80% of its investments are held in funds which have high (daily or weekly) liquidity - this means that cash can be withdrawn easily when required. Now that the 2022 Triennial valuation is completed, a review of the Fund's Investment Strategy is in progress. The need for adequate liquidity requirements forms part of that review - to assist that work, the Fund's actuary has provided a long term cash flow forecast . A number of the Fund's current investments are in funds which are straightforward to switch from "non distributing" to "distributing share classes" should that be appropriate.	Treasury and Pensions Manager	C3	ongoing	Director of Finance

**PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	<b>REGULATORY</b>								
G1	Changes by regulation to particular employer participation in the Local Government Pension Scheme with impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers, implements them, including amending strategies, as appropriate.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G2	Other UK Legislation (public sector exit cap) conflicts with LGPS Regulations	Government introduced legislation to limit the cost of "exit payments" to £95k, but did not issue updated LGPS Regulations incorporating the necessary changes to align with this. Letter containing Ministerial Guidance issued 28/10/2020 but does not have force of law. Software changes will also be required once the new LGPS Regulations are approved.	C3	E3	Government made a further change to the Regulations in February 2021 - repealing the "Exit Cap". The latest guidance aligns with the LGPS Regs as the definition of "Special Severance Payments" excludes those which are statutory.	Treasury and Pensions Manager	E3		Director of Finance & Assurance
	<b>GOVERNANCE</b>								
G3	Pension Fund Committee members have insufficient knowledge to make correct decisions	Regular training is provided via a structured training programme to allow Members to review and challenge recommendations. Actuarial, investment, independent and officer advice is available to assist Members in making their decisions. The Council's in-house Legal Department provides advice as appropriate.	E2	E2	Fund Training Strategy was approved in March 2022. This includes regular training sessions before each Committee to ensure that knowledge remains up to date.	Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance
G4	Inadequate investment and actuarial advice is available to the Pension Fund Committee or sound advice is not heeded	Properly considered appointment of actuary and investment consultant with relevant experience and professional standards in place. Appointment of additional independent advisers. The Administering Authority, via its Pension Fund Committee and Pension Board maintains close contact with its specialist advisers and, in addition to receiving "statutory" reports, makes of requests for specific reports when required. Advice is delivered at formal meetings and recorded appropriately.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G5	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Skills kept up to date through ongoing professional development (including training and technical reading); liaison with other funds and professional bodies and other networks. Training and development needs monitored through annual and monthly meetings with managers. Use of external advisers where appropriate	D3	D3	Fund Training Strategy approved in March 2022.	Treasury and Pensions Manager	E3		Director of Finance & Assurance

**PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
G6	Failure to maintain proper oversight of the administration of the Fund	The Pension Fund Committee has responsibility for exercising the Administering Authority's responsibilities clearly set out in its terms of reference. The Pension Board provides support and constructive challenge to support the oversight of the administration of the Fund.	D3	D3	Regular reports on Administration Performance are considered quarterly by the Pension Board.	Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance
<b>FUNDING - ASSETS AND LIABILITIES</b>									
G7	Pension Fund objectives are not defined and agreed	Objectives are defined in the Funding Strategy Statement which is reviewed regularly by the Pension Fund Committee	E2	E2	Updated Funding Strategy Statement approved by Committee in March 2023 at the conclusion of the 2022 Triennial valuation process.	Treasury and Pensions Manager	E2		Director of Finance & Assurance
G8	The Fund's pensioners are living longer than assumed in actuarial assumptions thereby increasing liabilities.	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience. The Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might affect the assumptions underpinning the valuation	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G9	Increase in number of early retirements due to service reductions and/or ill-health retirements.	Employers are charged the "strain" cost of non-ill-health retirements; ill health retirement experience is closely monitored. Controls are included in admission agreements for new bodies joining the Fund and insurance may be available. Experience between triennial valuations is monitored and incorporated in the valuation process.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G10	Structural changes in an employer's membership (eg fall in active membership) leading to non-recovery of past service deficits	Monitor at each valuation and appropriate investment strategy is implemented. Past service deficits are being recovered by cash rather than percentage of payroll.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G11	Insufficient assets to meet short and medium term liabilities	Medium term requirements are regularly reviewed, and cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments are liquid and can be accessed relatively quickly.	E2	F2		Treasury and Pensions Manager	F2		Director of Finance & Assurance
G12	Reductions in payroll causing insufficient deficit recovery payments	Reviewed at triennial valuation. Stabilisation mechanism permits appropriate contribution increases. Deficit contributions for largest employer are a fixed monetary amount rather than a percentage of payroll.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance

PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	<b>FUNDING - INVESTMENT STRATEGY</b>								
G13	Losses arise due to currency fluctuations	The Council has established a currency hedging strategy covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. Approximately 10 major currencies are hedged most notably the US Dollar, Japanese Yen and Euro.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G14	Environmental, social and governance issues reduce the Fund's abilities to generate long term returns	The Fund expects its managers to act in the best financial interests of the Fund which involves considering the effects of ESG issues on the performance of companies in which they invest. During 2021 the Fund updated its Investment Strategy Statement and realigned investments increase its ESG Focus. It receives an ESG dashboard annually (in March) prepared by its Investment Consultants.	D3	D3	The Fund approved its Responsible Investment Policy which reflects the PF Committee's views on climate change and other ESG issues and will inform investment decisions going forward.	Treasury and Pensions Manager	D3		Director of Finance & Assurance
	<b>SECURITY</b>								
G15	Investment manager may not have appropriate control framework in place to protect Pension Fund assets	Client agreements which include the control framework are in place. Assets are held by external custodians separate from the investment managers; custodians are expected to comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Each investment manager's annual audit of internal controls is reviewed by officers and the Pension Fund Committee. Investment managers maintain an appropriate risk management framework to minimise the level of risk to pension fund assets.	E2	E2	Whilst this risk is outside the Fund's control, the annual audits reveal very few exceptions to the intended control processes operating correctly. An aspiration that the likelihood is almost impossible is therefore a reasonable aspiration but timescales are dependent on the managers.	Treasury and Pensions Manager	F2	N/A	Director of Finance & Assurance
G16	Negligence, fraud or default by individual investment manager.	Legal requirements on fund managers set out in investment management agreements, FSA and other regulatory requirements; separation of investment management and custody arrangements; annual review of operational controls	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G17	Custody arrangements may not be sufficient to safeguard fund assets	Client agreements which include the control framework are in place. External custodians comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Regular reconciliations carried out to check external custodian records	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G18	Failure of custodian	Use custodians under banking and FSA regulation	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance

53

**PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)**

54

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	<b>OPERATIONAL</b>								
G19	Major emergency	Business Continuity Plan in place. Service delivery during 2020 and 2021 Covid-19 Pandemic demonstrated resilience of remote working arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G20	Systems and data may not be secure and appropriately maintained	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights restricted. Data is backed up on an incremental basis daily and fully backed up weekly. Audit trails and reconciliations are in place. System is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met. Staff working from home use only LBH equipment and secure log in arrangements. No printing of documents is permitted while working remotely.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G21	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules.	Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing. Procedures exist to identify any non-payment of contributions. Internal audit reviews take place regularly and there is an External Audit review of the accounts annually	D4	D4		Treasury and Pensions Manager	D4		Director of Finance
G22	Overpayments made	Most overpayments result from deaths not being notified promptly. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative. Pensions Admin participate in the "tell us once" service, so are notified of many deaths through registrars via this service.	C4	C4		Treasury and Pensions Manager	C4		Director of Finance
G23	Breach of data protection legislation.	Data security protocol in place. Staff made aware of importance of ensuring data is properly protected.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G24	Effect of possible increase in employer's contribution rate on service delivery of Administering Authority and admission and scheduled bodies.	A stabilisation mechanism has been agreed as part of the funding strategy and other measures are in place to limit sudden increases in contributions.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
	<b>ACCOUNTING</b>								
	None								



---

**REPORT FOR: Pension Board**

---

<b>Date of Meeting:</b>	12th July 2023
<b>Subject:</b>	Review of Pension Fund Governance Compliance Statement
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1 – Governance Compliance Statement

## **Section 1 – Summary and Recommendations**

This report reviews the Pension Fund’s Governance Compliance Statement. The document was last reviewed by the Committee on 19 September 2022.

### **Recommendations:**

The Board is requested to

- i. Note the latest position on the LGPS Good Governance Review,
- ii. Consider the updated Governance Compliance Statement and comment as appropriate.

## **Section 2 – Report**

1. The “Good Governance Review” which was reported to the Board in January 2020 was delayed by the Covid-19 pandemic. The final (Phase 3) Report on this subject was published by the Scheme Advisory Board in February 2021, and the Report’s Action plan was submitted to the Local Government Minister for consideration. It is expected that Regulations will be published later in 2022 incorporating many of the Review’s recommendations.
2. The Local Government Pension Scheme (LGPS) Regulations 2013 (Regulation 55) require the Administering Authority for the Fund to prepare a written statement setting out:
  - whether the authority delegates its function, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority;
  - if so, the way in which the delegation operates, including membership of the Committee, voting rights, frequency of meetings etc;
  - details of the arrangements for the local Pension Board.The Governance Compliance Statement fulfils this requirement.
3. The Fund’s Governance Compliance statement was last reviewed in September 2022. It is good practice to review it regularly and to update it if required.
4. The revised Governance Compliance Statement is enclosed at Appendix 1. The Committee will be asked to consider this, and subject to any suggested modifications, to approve it for adoption. In view of the likelihood of new Regulations, no significant changes are proposed to the current Governance Compliance Statement at this time.
5. The document will be considered by the Pension Fund Committee at its meeting in July 2023, and the Board’s comments will be reported to the Committee.
6. A further report will be brought to the Board once new LGPS Regulations are published, together with any required changes to the Fund’s governance arrangements.



## **Legal Implications**

7. There are no direct legal implications arising from this report.
8. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
9. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
  - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - such other matters the LGPS regulations may specify.
10. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
11. In its role, The Board will have oversight of the administration of the fund including:
  - a. The effectiveness of the decision-making process
  - b. The direction of the Fund and its overall objectives
  - c. The level of transparency in the conduct of the Fund's activities
  - d. The administration of benefits and contributions
12. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
13. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
14. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

15. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no financial implications arising from this report.

## **Risk Management Implications**

16. There are no specific risk management implications arising from this report. The Pension Fund's Risk Register is reviewed regularly by both the Committee and by the Pension Board.

## **Equalities implications / Public Sector Equality Duty**

17. Was an Equality Impact Assessment carried out? No  
There are no direct equalities implications arising from this report.

## **Council Priorities**

18. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 3<sup>r</sup> July 2023**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 30<sup>th</sup> June 2023**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 3<sup>rd</sup> July 2023**

## **Mandatory Checks**

**Ward Councillors notified: NO**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Bola Tobun – Treasury and Pensions Manager

Email: [Bola.Tobun@harrow.gov.uk](mailto:Bola.Tobun@harrow.gov.uk)

Telephone 020 8420 9264

**Background Papers:**

- LGPS Good Governance Review Phase 3 Report - [https://www.lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://www.lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)

This page is intentionally left blank

# **Governance Compliance Statement**

**London Borough of Harrow Pension Fund**

**For Consideration by Pension Fund  
Committee  
July 2023**

## CONTENTS

Introduction .....	3
Regulatory Framework.....	4
Delegated Functions .....	5
Pension Fund Committee.....	5
Officer Sub – Group .....	6
Director of Finance and Assurance .....	6
Chief Officers .....	7
Pension Board.....	7
Statement of compliance to guidance .....	9

## Introduction

This is the Governance Compliance Statement of The London Borough of Harrow Pension Fund, administered by Harrow Council, the Administering Authority. The statement provides an overview of Harrow's approach towards the governance of the Pension Fund.

Any enquiries in relation to this Statement should be sent to:

Treasury and Pensions Manager  
London Borough of Harrow  
Civic Centre  
Station Road  
Harrow  
HA1 2XF  
TEL: 020 8736 6552  
Email: [TreasuryManagement@harrow.gov.uk](mailto:TreasuryManagement@harrow.gov.uk)

## Regulatory Framework

This Statement is required by Regulation 55 of the Local Government Pension Scheme (Scheme) Regulations 2013.

The Regulation requires Harrow Council as the Administering Authority to prepare a written statement setting out:

- “... (a) whether the authority delegates its function, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;*
- (b) if the authority does so—*
- (i) the terms, structure and operational procedures of the delegation,*
  - (ii) the frequency of any committee or sub-committee meetings,*
  - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and, if so, whether those representatives have voting rights;*
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying, and*
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).”*

This Statement will be revised and republished following any material change in any of the matters set out above. A current version of the Statement will always be available either at the address on page three or on our website at the link below

<https://www.harrowpensionfund.org.uk/harrow-council-pension-fund/about-s/forms-and-publications/>



## Delegated Functions

The Council has delegated its functions to the following:

- Pension Fund Committee
- Officer Sub – Group
- Director of Finance and Assurance
- Chief Officers
- Pension Board

### Pension Fund Committee

The Pension Fund Committee comprises four Members representing two different political parties with voting rights, a co-optee, an investment adviser and two independent advisers without voting rights. Council senior officers attend each meeting and trade union representatives of Scheme members (UNISON and GMB) are also invited as observers.

The Committee meets approximately four times a year and has the following responsibilities:

- 1) to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the Fund), save for those matters delegated to other Committees of the Council or to an Officer;
- 2) the determination of applications under the Local Government Pension Scheme Regulations and the Teachers' Superannuation Regulations;
- 3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 4) to establish a strategy for the disposition of the pension investment portfolio;
- 5) to appoint and determine the investment managers' delegation of powers of management of the fund;
- 6) (for Harrow Council employees) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England

## **GOVERNANCE COMPLIANCE STATEMENT**

and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;

- 7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups

### **Officer Sub – Group**

The Officer Sub – Group comprises the Director of Finance and Assurance and the Director of Legal and Governance Services. Other senior officers attend meetings as required.

The Sub-Group meets on an ad-hoc basis and has the responsibility to determine all early retirement applications (from Council employees) in line with Council policy.

### **Director of Finance and Assurance**

#### **Pension Fund Investment**

In respect of the discretionary management arrangements the Director of Finance has the following responsibilities:

- In the name of the Mayor and Burgesses of Harrow Council and on behalf of the Pension Fund and in consultation with the Fund's managers, to invest in stocks and shares as authorised by the Trustee Investments Act and Pension Fund Regulations, and to authorise the Council's seal to be affixed to stock transfer forms, rights issues and other investment forms.
- To enter into agreements on the terms and conditions on which these investments are made by the Fund's managers.
- To enter into under-writing agreements.
- To monitor the investment decisions of the Fund managers and under the terms of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 as amended to ensure the need for diversification and stability of investments

## Chief Officers

Chief Officers are specifically authorised to take decisions on behalf of the Council or its non-Executive Committees in cases of urgency, using the procedure for non-executive decisions on minor matters or the procedure for urgent non-executive decisions.

## Urgent Non-Executive Decisions and Minor Matters

In relation to matters which are the responsibility of a Council Committee, subject to consultation with the Chair of the relevant committee and the nominated members of the two main political groups or their nominees, Chief Officers shall have the power to act on behalf of the Council in cases of urgency and on minor matters, where the urgent matter is of such a nature that it may be against the Council's interest to delay and where it is not practicable to obtain the approval of the Council Committee. In the event of disagreement between the Members consulted, the matter shall be referred to the Chief Executive who may take the decision after consultation with the Leaders of all political groups or their nominees, and if appropriate, with the statutory officers. The safeguards set out below must be followed.

## Safeguards

The procedure must only be used when considered essential to achieving the efficient administration of the service and for urgent matters consideration must be given to whether the matter can wait until the next scheduled meeting or whether the calling of a special meeting can be justified.

All decisions taken by officers under this delegated power must be reported for information to the next meeting of the appropriate committee.

## Pension Board

As required under the Public Service Pensions Act 2013 the Council has set up a Local Pension Board. Its responsibility under the Act is to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Scheme including:

- Securing compliance with the Scheme regulations and other legislation relating to the governance and administration of the LGPS;
- Securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Such other matters the LGPS regulations may specify.
- Development and Review of new policies before these are adopted by the Pensions Fund Committee

## GOVERNANCE COMPLIANCE STATEMENT

In particular the Board oversees:

- the effectiveness of the decision making process
- the direction of the Fund and its overall objectives
- the level of transparency in the conduct of the Fund's activities
- the administration of benefits and contributions

Under the provisions of the Act the Board must include equal numbers of employer and member representatives and it is made up as follows:

- Employer representative – London Borough of Harrow
- Employer representative – Scheduled and admitted bodies
- Scheme members' representative – Active members
- Scheme members' representative – Pensioners
- Independent member.

**Statement of compliance to guidance**

Regulation 55(1)(c) requires Scheme administering authorities to measure their governance arrangements against the principles set out in the statutory guidance. Where compliance does not meet the published standard, there is a requirement to give, in their Governance Compliance Statement, the reasons for not complying.

**Principle A – Structure**

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
- b) That representatives of participating LGPS employers, admitted 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.
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- 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.

	Not Compliant*			Fully Compliant
a)				√
b)	√			
c)				NA
d)				NA

\* Please use this space to explain the reason for non-compliance.

The Pension Fund Committee comprises representatives of the main employer, London Borough of Harrow (which is also the administering authority and accounts for 82.5% of the Fund’s members), but there is no representation of other employers or scheme members. Two trade unions have observer status. The Pension Board includes one representative from each of non-Council employers, active scheme members and pensioner members and the views of the Board are reported to the Committee.

**Principle B – Representation**

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: -

- employing authorities (including non-Scheme employers, e.g., admitted bodies,
- Scheme members (including deferred and pensioner Scheme members),
- where appropriate, independent professional observers, and
- expert advisors (on an ad-hoc basis).

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

	Not Compliant*			Fully Compliant	
a)				√	
b)					√

\* Please use this space to explain the reason for non-compliance.

The Pension Fund Committee comprises representatives of the main employer, London Borough of Harrow, two independent advisers and an expert investment adviser but no representation for other employers or scheme members. Two trade unions have observer status, although one of those seats is currently vacant.

**Principle C – Selection and role of lay members**

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.

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Not Compliant*			Fully Compliant	
a)					√
b)					√

\* Please use this space to explain the reason for non-compliance.

**Principle D – Voting**

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

	Not Compliant*				Fully Compliant
a)					√

\* Please use this space to explain the reason for non-compliance

**Principle E – Training/Facility time/Expenses**

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

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.

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken

	Not Compliant*				Fully Compliant
a)				√	
b)					√
c)				√	

\* Please use this space to explain the reason for non-compliance.

The Council policy is that the Pension Fund Committee are aware of the six areas of knowledge and skills relating to the LGPS which CIPFA has identified as being the core technical requirements for those involved in decision making. They are frequently advised of training opportunities and are advised of facility time and the reimbursement of expenses.

A training log for all elected members is maintained.

Included in the Terms of Reference for the Pension Board is:

*Following appointment each member of the Board should be conversant with:*

- *The legislation and associated guidance of the LGPS*
- *Any document recording policy about the administration of the LGPS which is for the time being adopted by the Fund*

**GOVERNANCE COMPLIANCE STATEMENT**

The Administering Authority will provide a training programme which all Committee and Board members will be encouraged to attend

**Principle F – Meetings (frequency/quorum)**

- a) That an administering authority’s main committee or committees meet at least quarterly.
- b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- c) That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented

	Not Compliant*			Fully Compliant
a)				√
b)				NA
c)			√	

\* Please use this space to explain the reason for non-compliance.

Key stakeholders including non-Council employers and the trade unions are consulted on an ad hoc basis e.g. actuarial valuation, Investment Strategy Statement, Funding Strategy Statement

**Principle G – Access**

- 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 falls to be considered at meetings of the main committee.

	Not Compliant*			Fully Compliant
a)				√

\* Please use this space to explain the reason for non-compliance.



**Principle H – Scope**

a) That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements

	Not Compliant*				Fully Compliant
a)					√

\* Please use this space to explain the reason for non-compliance.

**Principle I – Publicity**

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant*				Fully Compliant
a)					√

\* Please use this space to explain the reason for non-compliance.

Please use this space if you wish to add anything to explain or expand on the ratings given above

This page is intentionally left blank



---

**REPORT FOR: Pension Board**

---

<b>Date of Meeting:</b>	12th July 2023
<b>Subject:</b>	Pension Board Work Programme 2023-24
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	None

## Section 1 – Summary and Recommendations

This report reviews the Pension Board’s work to date, lists the forthcoming meeting dates and invites the Board to comment on a suggested work programme for the remainder of the 2023-24 Municipal Year.

### Recommendations:

The Board is requested to comment on the proposed work programme for the remainder of 2023-24 and note the meeting dates.

## Section 2 – Report

1. The Pension Board meets quarterly. This is the Board’s first meeting of the 2023-24 municipal year.
2. The next meeting of the Pension Fund Committee will be held on 31 July 2023, Details of the items to be considered are elsewhere on this agenda.
3. For Board members’ information, dates for meetings of the Board and of the Pension Fund Committee for the remainder of 2023-24 are as follows:
  - Pension Board
    - 30 October 2023
    - 11 December 2023
    - 18 March 2024
  - Pension Fund Committee
    - 31 July 2023
    - 19 September 2023
    - 21 November 2023
    - 12 March 2023
4. A suggested work programme for the remainder 2023-24, indicating (where applicable) the likely timing of items, is shown in the table below. The Board should note that delays with the audit of the 2021-22 accounts reported elsewhere on this agenda have made it necessary to defer that item until the next meeting. Further items will be added as required.

<b>Matter for Consideration</b>	<b>Board Meeting</b>
<b>Items for consideration at each meeting (all years)</b>	
Pensions Administration – Performance monitoring	Quarterly report – to include updates on Scheme Advisory Board and any Regulatory matters not requiring a separate report.

Pension Fund Dashboard including long - term cashflow and funding	Quarterly report - Considered in review of PF Committee minutes quarterly
Latest Pension Fund Committee Meeting - Summary of Reports and actions	Quarterly report
<b>2023-24 Items</b>	
Annual Report and Financial Statements for year ended 31 March 2022 – outcome of audit.	October 2023 – to review the external auditor’s report on the accounts.
Annual Report and Financial Statements for year ended 31 March 2023	<ul style="list-style-type: none"> <li>• Oct 2023 – external audit plan</li> <li>• Oct 2023 - Draft Annual report</li> <li>• Oct 2023 - Audit outcome</li> </ul>
Review of Pension Fund Risk Register	<ul style="list-style-type: none"> <li>• Dec 2023</li> </ul>
Regulatory Updates	Ad hoc – as changes occur. Two items expected are <ul style="list-style-type: none"> <li>- Revised LGPS Regulations for implementing McCloud</li> <li>- Consultation paper about LGPS Investment (covering pooling and the “Levelling Up White Paper”.</li> </ul>
Review of Fund Policies	Continuing to Prepare for the implementation of the Good Governance Review
Investment Strategy Statement	This will be updated when the Strategy review is completed – target October 2023
London CIV and Investment Pooling Update	March 2024

## Legal Implications

5. There are no direct legal implications arising from this report.
6. The terms of reference for the Board include the Board’s role as set out in the following paragraphs.
7. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
  - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - such other matters the LGPS regulations may specify.
8. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
  9. In its role, The Board will have oversight of the administration of the fund including:
    - a. The effectiveness of the decision-making process
    - b. The direction of the Fund and its overall objectives
    - c. The level of transparency in the conduct of the Fund's activities
    - d. The administration of benefits and contributions
  10. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
  11. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
  12. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## **Financial Implications**

13. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no financial implications arising from this report.

## **Risk Management Implications**

14. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review is elsewhere on this agenda.
15. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

## **Equalities implications / Public Sector Equality Duty**

16. Was an Equality Impact Assessment carried out? No

17. There are no direct equalities implications arising from this report.

## **Council Priorities**

18. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 3<sup>rd</sup> July 2023**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 30<sup>th</sup> June 2023**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 3<sup>rd</sup> July 2023**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Bola Tobun – Treasury and Pensions Manager

Email: [bola.Tobun@harrow.gov.uk](mailto:bola.Tobun@harrow.gov.uk)

Telephone 020 8420 9264

**Background Papers:** None

This page is intentionally left blank