

# **Pension Fund Committee**

## **Minutes**

### **4 April 2024**

**Present:**

**Chair:** Councillor David Ashton

**Councillors:** Jerry Miles Norman Stevenson  
Nitín Parekh

**Trade Union  
Observers:** John Royle

**Independent  
Advisers:** Mr C Robertson Independent Adviser

Honorary Alderman R  
Romain Independent Adviser

**Absent:** Barbara Adjei-Kyem  
Pamela Belgrave GMB

**86. Attendance by Reserve Members**

**RESOLVED:** To note that there were no reserve Members in attendance at this meeting.

**87. Declarations of Interest**

**RESOLVED:** To note that Councillor Norman Stevenson declared a non-pecuniary interest in that he was a Director of Cathedral Independent Financial Planning Limited and had clients who were past and present members of the Harrow Pension Scheme. Furthermore, he declared that his wife was a member of Harrow Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

**88. Minutes**

**RESOLVED:** That the minutes of the meeting held on 20 December 2023, be taken as read, and signed as a correct record.

**89. Public Questions**

**RESOLVED:** To note that no public questions were received at the meeting.

**90. Petitions**

**RESOLVED:** To note that no petitions were received at the meeting.

**91. Deputations**

**RESOLVED:** To note that no deputations were received at the meeting.

**92. The Pensions Regulator (PR) Code of Practice**

Members received the report which outlined The Pension Regulator's (TPR) code of practice, the new codes replaced 10 of the existing codes of practice, the Code also replaced the Code of Practice (no.14) for Public Service Pension Schemes which was issued on 10 January 2024 and released on 27 March 2024. Officers explained that while it was not prescriptive as law, it consolidates various practices, covering areas like cybercrime, scams, governance and administration.

Members asked for clarification on any significant changes or costs associated with compliance for the pension fund. Officers advised that they did not foresee any significant costs as the Local Government Pension Scheme (LGPS) was already good when it came to governance. Most of the requirements were already in place, but there might be minor adjustments needed in areas like meetings (including the need to evidence properly any investment decisions taken in Part 2 of meetings) and communication with members.

Members asked whether considering that there were already various policies and practices in place, there would be a need to create separate documents specifically for the pension fund. Officers advised there would be a need for some separate documents, especially for areas like cybersecurity. They explained that however, the department could leverage existing resources and practices where applicable to comply with the new code.

Members raised concerns on the potential workload increase from producing an annual report and would this new workload need additional staff members. Officers advised it was unlikely, as the LGPS was already well-equipped for compliance. Any adjustments needed could be managed within the existing resources.

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

### **93. Pension Fund Annual Report and Accounts 2022-23 - Audit Strategy Memorandum**

Members received a report which provided an update on the approach and timescale for Mazars to carry out the external audit of the LBH Pension Fund Annual Report and Accounts for 2022-23.

Officers advised that during the previous meeting, Mazars presented the outcomes of the audit for the 2021-22 accounts, which had been finalised. During that session, they highlighted the significant national delays in auditing local authorities' accounts, consequently affecting pension fund accounts.

Currently, the team have commenced preparations for the accounts for the year ending on March 31, 2024. Mazars has just started the audit for the accounts approved in September 2023, pertaining to the year ending March 2023. Initial fieldwork and testing are currently in progress.

Officers highlighted the detailed report that outlines Mazars' approach to this year's audit, emphasising, the risks and testing focuses. Most risks highlighted are relevant to all LGPS funds, rather than being specific to Harrow, owing to the nature and scale of LGPS funds. However, a specific risk pertinent to Harrow concerns the payroll system migration in 2022. Mazars aims to validate the data migration's accuracy, particularly its impact on employer and employee contributions for the London Borough of Harrow, being a significant portion of the pension fund. They target completion of the audit and signing off of the accounts by the end of September 2024.

An Observer raised concerns and wanted some assurance that the pension fund's health remains positive. Officers advised that it was healthy, and in comparison with some to past periods, adequately funded, addressing concerns.

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

### **94. Investments & Managers Performance Review**

Members received a report on the Investments and Managers Performance Review.

The report updated the Committee on regular items as follows:

- Draft work programme for 2024-25;
- Investment and Manager Performance Dashboard;
- Fund Performance and actions for the period ended 31 December 2023; and
- Issues raised by the Pension Board.

Officers updated the Members on the draft work programme for the fiscal year, which was about to begin, with a focus on preparing for the next triennial valuation, which was approaching rapidly. It was noted that the work programme was subject to change as other developments occurred throughout the year.

The investment performance and fund dashboard summarized the position at the end of the last quarter, on 31 December 2023. The funding level as of December 31, calculated on a roll forward basis from the 2022 Valuation, was reported to be 119%. This meant that for every £100 of liabilities, there were approximately £119 available to cover them.

Officers emphasised that while the scheme remains open to current members to accrue additional benefits and to new joiners, this would lead to increased liabilities in the future. However, the investment strategy was performing well and delivering returns to support these obligations.

The value of the assets as of December 31 exceeded £1 billion and had increased slightly by the end of February to £1.033 billion. Additionally, the report highlighted the receipt of the first capital distribution from the liquidation of underlying assets in the LaSalle property fund, amounting to just over £4 million in December.

**RESOLVED:** That the draft work programme for the remainder of 2024-25 be approved.

## **95. Fund Valuation - At 28 February 2024**

Members received an update on the Fund's performance to 31 December 2023.

An Independent Advisor provided insights into the fund's performance, referring to the PIRC report. While performance against the strategic benchmark was poor, he noted the favourable performance compared to the LGPS peer group over the last quarter and year. He attributed this success partly to Harrow's benchmark outperforming others' benchmarks and to everyone struggling as a small number of stocks dominated index performance. He added that the performance against the Harrow strategic benchmark was the more important comparison.

The Independent Advisor raised a concern regarding the quality of the analysis of longer-term performance, emphasising the need to include the performance of former managers who had been replaced for poor performance to obtain a meaningful assessment.

The Chair enquired about the need for action based on the discussion. The Independent Advisor elaborated on the differences in custodian set-up between Harrow and other funds, highlighting the complexities involved in performance analysis due to these differences.

The Interim Treasury and Pensions Manager acknowledged the concerns raised and mentioned discussions with relevant parties regarding appointing a global custodian, which could offer benefits beyond performance evaluation, such as third-party valuation and asset safekeeping. She reassured that any potential additional costs would be outweighed by the benefits to the fund.

It was agreed to schedule further discussions on this matter after completing the investment adviser tender process, with an emphasis on presenting and training on the benefits of a global custodian.

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

**96. Exclusion of the Press Public**

**RESOLVED:** That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following items for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
13.	Investments and Managers Performance Review – Appendices 3 and 4	Information under paragraph 3 contained information relating to the financial or business affairs of any particular person (including the authority holding that information).
14.	London CIV and Investment Pooling Update	Information under paragraph 3 contained information relating to the financial or business affairs of any particular person (including the authority holding that information).
15.	Investment Strategy Implementation	Information under paragraph 3 contained information relating to the financial or business affairs of any particular person (including the authority holding that information).

**97. Investments & Managers Performance Review - Exempt Appendices 3 and 4**

Members received two confidential appendices to the report on the Investments and Managers Performance Review.

**RESOLVED:** That Appendices 3, and 4 be noted.

Following a discussion regarding rebalancing, the Committee noted that to enable the Fund to respond appropriately to market movements, decisions needed to be taken quickly. Therefore, provided that these are to facilitate rebalancing to the approved strategic asset allocation in line with the Committee's approved Investment Strategy Statement (ISS), that authority for these decisions be delegated to officers, having taken advice from the Committee's Investment Consultants and Independent Advisors, in consultation with the chair and vice chair.

The Committee asked for a report to the next meeting with a suitable recommendation for approval.

**98. London CIV and Investment Pooling Update**

Members received a confidential report from London CIV and Investment Pooling update.

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

**99. Investment Strategy Implementation**

Members received a confidential report on the Investment Strategy Implementation.

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

(Note: The meeting, having commenced at 6.30 pm, closed at 8.40 pm).

(Signed) Councillor David Ashton  
Chair