

Pension Board

Minutes

6 October 2021

Present:

Chair: Mr R Harbord

Board Members:	James Lee	Harrow Council, Employer Representative
	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members

In attendance: (Officers)	Jeremy Randall	Interim Pensions Manager
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Apologies received:	Dr Simon Radford	Employer Representative – Scheduled and Admitted Bodies
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1. Declarations of Interest

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

2. Minutes

RESOLVED: That the minutes of the meeting held on 8 July 2021, be taken as read and signed as a correct record.

3. Public Questions

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

4. Petitions

RESOLVED: To note that no petitions had been received.

5. Deputations

RESOLVED: To note that no deputations had been received.

Resolved Items

6. Membership of Pension Board

The Chair announced that Dr Simon Radford had joined the Pension Board as an Employer Representative – Scheduled and Admitted Bodies, following a formal appointment at Harrow’s full Council on 30 September 2021.

RESOLVED: To note the change to the Pension Board membership.

7. Pension Fund Draft Annual Report 2020-21

The Board received the Draft Pension Fund Annual Report for 2020-21 for the year ended 31 March 2021 and the External Audit Plan.

During the discussion that ensued the following were highlighted:

- 1) the Pension Fund’s 2019-20 Annual Report and Accounts had been finally been signed off by the Fund’s Auditors – Mazars- on 6 July 2021 and the audited version had been published;
- 2) The audit of the Pension Fund’s 2020-21 accounts, carried out by Mazars, was in progress and would be reported to the Council’s Governance, Audit, Risk Management and Standards Committee at its meeting on 12 October 2021 for approval of the accounts before the final audited report was published by 1 December 2021;
- 3) Note 23 to the accounts relating to Additional Voluntary Contributions and set out in Appendix 2 to the officer report remained incomplete due to information from one the providers (Prudential) being awaited. Although it did not affect the accounts’ key financial statements, the delay was

considered unacceptable and officers were actively pursuing the missing information; and

- 4) Despite acknowledging the rising value of the Fund, which was close to predicted liabilities and reflected the rising market and level of employers' contribution, the Board was advised that the cost of future service was likely to rise due to an upward shift in forecast wage levels and inflation which in result could offset the improved valuations of the Fund.

In response to a Member's question on the cost of the external audit, the Board was advised that the cost referred to in Appendix 1 of £16,000 was a scale fee, with the actual cost the Council was expecting to pay for Mazars' services likely to be in the realm of £19,000 (Appendix 2). The audit process was largely similar to previous years with the exception of some additional quality control procedures which had marginally delayed the sign-off process.

In response to a Member's question, the Board was informed that this was the third year in a row in which Mazars were carrying out the audit of accounts. The process of selecting an external auditor was managed by a third-party company (Public Sector Audit Appointments Ltd) which conducted a tendering exercise. If a change of auditors was needed, then this could be considered and requested in 2022/23.

RESOLVED: That the Report be noted.

8. Pensions Administration Performance Monitoring

The Board received a report on Pensions Administration Update for the quarter ending on 30 June 2021, which provided a summary of the Pension Administration Team's performance and updated Members on changes arising from the McCloud Judgement and the Public Sector "Exit Cap".

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

- 1) monitoring the service performance of the Fund was a key responsibility of the Board. The Board had been monitoring comparative pensions administration indicators since June 2017. The report provided information on performance to 30 June 2021;
- 2) the Pensions administration performance statistics measured against the national benchmarks for the Quarter to 30 June 2021 and were set out in Appendix 1 to the officer report. The comparative performance for other Local Government Pensions Scheme (LGPS) authorities was no longer collated centrally and performance monitoring table at Appendix 1 had been updated accordingly;
- 3) The statistics demonstrated a strong performance with a 100% target only missed where information from other employers/stakeholders had been received late. No known breaches of law, disputes or complaints had been reported in the current financial year to date;

- 4) A resolution to a complaint submitted to the Pensions Ombudsman in December 2020 regarding ill health retirement was still being awaited. A further case on a similar issue had been received in the meantime and was currently being reviewed;
- 5) Work had begun on collating and validating employers' data to enable implementation of the changes following amendments to the Public Service Pensions Act 2013 as required by the McCloud Judgement, with additional support provided by the software company Aquila Heywood; and
- 6) A new Pensions Team Leader was appointed in July 2021 and had already started in the role. An additional Team Member was expected to start by December 2021, which would complete the Team and provide sufficient resources to effectively discharge its functions.

RESOLVED: That the Report be noted.

9. Review of Pension Fund Committee Items (13 September 2021)

The Board received a report on the Review of Pension Fund Committee Items summarising the matters considered by the Committee at its meeting on 13 September 2021.

The Interim Pensions Manager referred to a number of points, which were going to or already had been raised as part of the agenda for this meeting. A key item for discussion at the Pension Fund Committee meeting which was highlighted by the Officer was the Environment, Social and Governance (ESG) reporting, which produced a helpful discussion and resulted in benefits and Pensions Investment Consultant, AON, being asked to carry out further work before the next meeting and develop an ESG dashboard so that progress on the investment side in terms of the above areas can be reported.

Members welcomed the report and did not raise any further comments.

RESOLVED: That the report be noted and a further report on Environment, Social and Governance (ESG) reporting be included in the agenda for the next Pension Board.

10. Review of Investment Strategy Statement

The Board received a report on the Review of Investment Strategy Statement, which presented Members with an updated Strategy Statement its recent review. The Statement was approved by the Pension Fund Committee at its meeting on 13 September 2021.

During the discussion that ensued, the following were highlighted:

- 1) Harrow's Pension Fund already had an Investment Strategy Statement (ISS) in line with requirements by the LGPS Regulations. The Fund had been working with AON to update Strategy Statement in order to

reflect a number of key decisions made by the PFC over the last twelve months;

- 2) Referencing page 124 of Appendix 1 to the officer report, the Board was informed that the Pension Fund Committee (PFC) had requested for the benchmarking targets of each fund to be separated in two separate columns in order to make it clearer what the benchmark was and highlight any outperformance before the final version of ISS could be published;
- 3) Environmental, social and governance considerations were key element in long term investment performance and sustainable returns. As part of the updated ISS, investment managers were being asked to sign up to the UK Stewardship Code and UN Principles for Responsible Investment (PRI) on an annual basis and report regularly on their compliance with the Code and other relevant environmental, social and governance principles;
- 4) The Fund was committed to ensuring highest standard of governance and corporate responsibility in the companies in which investments were made and sought to exercise its rights (including voting rights). The Fund was a member of the Local Authority Pension Fund Forum (LAPF) which took a lead role in engagement with companies on behalf of its members. A challenge for Harrow's PF was that its equity holdings were wholly invested in pooled funds rather than individual shareholdings and therefore most engagement decisions were made by fund managers. Although managers were strongly encouraged to vote in line with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible the Fund reserved the right to put pressure on matters of importance by exercise its voting rights; and
- 5) The benchmarks and targets outlined in the officer report were set by an independent investment adviser in a way that managed risks and monitored outperformance and were effectively what investment fund managers were appointed to. Although the list of funds remained largely unchanged, a recent change included the Multi-Asset Credit (CQS) fund which would now be measured against the Sterling Overnight Interbank Average Rate (SONIA).

RESOLVED: That the updated Investment Strategy Statement as set out in Appendix 1 to the officer report be noted.

11. Good Governance Review Update and Implementation

The Board received an update report on progress with the Good Governance Review and Implementation.

A key part of the review was to ensure that the Fund's policies and other key documents were up to date. The main strategy was to follow the Fund's Actuary Hymans Robertson existing policies and adapt them to the needs of the Fund, focusing on the following five priority areas:

- Conflicts Management policy
- Representation Policy
- Administration strategy
- Communications Policy (updated in March 2021)
- Training Strategy

Given the Board's supporting role in ensuring compliance of the administering authority with relevant regulations and codes of practice, it was suggested that the Board's expertise be sought in the form of reviewing the above draft policies before they are brought to the Pension Fund Committee for approval and adoption.

RESOLVED: That the report be noted and suggested approach of reviewing up to two policies per meeting be agreed.

12. Update on London Collective Investment Vehicle (CIV) and Investment Pooling Arrangements

Having noted the confidential appendices to the officer report, the Board received an update on London Collective Investment Vehicle (CIV) and Investment Pooling Arrangements.

During the discussion that ensued the following were highlighted:

- 1) It was considered an informal target that as a minimum Funds should have pooled at least 75% of their assets by 2023. Harrow was making good progress against these objectives and was on track to meet the target, with 58.5% of the equity funds pooled as of 31 July 2021;
- 2) New funds had been launched, including a property fund which was currently missing from the Fund's portfolio;
- 3) Cross-pool collaboration had not happened to a large degree but was seen as an area which could produce some benefits in the future;
- 4) Management of the CIV had settled down and made progress in recent years. The appointment of a new Chief Executive and Client Director was seen as key in growing the confidence in the CIV, particularly in terms of the CIV's capacity to deliver; and
- 5) The Pension Fund Committee was relatively confident with the level of engagement between CIV and London Borough of Harrow

RESOLVED: That the report be noted.

13. Training update

The Board received a report which reviewed the current Pension Board training arrangements and sought Member's view on any future training required.

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

- 1) Training strategy would be brought forward as part of the Local Government Pension Scheme (LGPS) Good Governance Review.
- 2) Some changes to Pension Fund Committee and Pension Board's memberships were possible in light of the upcoming Local Election in May 2022 and some consideration on potential training requirements was needed.

RESOLVED: That the report be noted.

14. Work Programme

The Board received the Report of the Pension Board Work Programme for Future Meetings, which listed forthcoming items for consideration the dates of future meetings. Officers advised that the Government's Actuary Department (GAD) Section 13 and External Audit reports had been delayed and were expected to be presented at the December Board meeting.

The Chair also announced that due to a conflict of appointments, it would be necessary to agree a new date for the next meeting of the Board for 1st December 2021. A number of alternative dates were being considered and a confirmation would be circulated by Democratic Services as soon as practicable.

Some Board Members expressed their desire to have a meeting in person, however, that would depend on several factors, and a decision would be made later.

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

15. Update on London Collective Investment Vehicle (CIV) and Investment Pooling Arrangements

See minute 12.

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

(Signed) Richard Harbord
Chair