

Report for: Pension Board

Date of Meeting:	16 December 2021
Subject:	Review of Pension Fund Committee Items (24 November 2021)
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	Yes – Appendix 2 is exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Pension Fund Valuation at 31 October 2021; Appendix 2 (Exempt) - ESG Reporting Dashboard (Aon)

Section 1 – Summary and Recommendations

This report summarises the matters considered by the Pension Fund Committee at its last meeting on 24 November 2021 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 list of items considered by the Pension Fund Committee at its meeting on 24 November 2021 is summarised in the table below.

Report	Comments
Part I	
London Collective Investment Vehicle – Amendments to Shareholder Agreement and Articles of Association	As a result of some additions to its range of fund offerings, the London CIV needed to amend its definition of Regulatory Capital. As a company owned by the City of London and the 32 London Boroughs (as administering authorities for their pension funds) the change required approval by each of the authorities. This (technical) change was approved and authority delegated to the Director of Finance and Assurance to sign the necessary documentation.
Appointment of Independent Advisors	The contracts of the Pension fund’s two Independent Advisors are due to expire in March 2022. The Committee approved the arrangements – delegating authority to the Director of Finance and Assurance, in consultation with two members of the Committee, to carry out the recruitment process and recommend appointees to the next meeting of the Committee in March 2022.
Performance Dashboard and Update on Regular items	The Committee considered the report, which summarised the position of the Fund at the end of Q3 2021 (30 September 2021) and agreed a draft work programme for the Committee for the remainder of the 2021-22 municipal year.
Environmental, Social and Governance (ESG) Reporting	<p>Following discussions at its previous meeting, the Committee considered a draft dashboard produced by Aon which set out a possible format for reporting of these issues – this was approved and is attached at Appendix 2 (exempt).</p> <p>The Committee also considered options offered by Blackrock for exercising voting rights in respect of the Fund’s passive equity investments. Aon provided an analysis of the options, and recommended that the approach of</p>

	continuing to use Blackrock's Investment Stewardship division to vote on the Fund's behalf was the most appropriate This recommendation was approved.
Part II	
Actions Arising from the Manager Day held on 2 November 2021	Following the recent Manager Day, the Committee had asked for further information from the London CIV regarding its plans for the LCIV Global Equity Focus Fund (managed by Longview). Officers from the CIV presented and answered questions on this subject. The Committee also considered a paper from Aon on options for its active emerging market equity investments and agreed a programme of further work on this matter to be carried out during January and February 2022.
Certain appendices from above reports were considered in part II	Decisions / comments are reported above.

2. A training session was held immediately before the Committee's meeting. Laura McInroy from the Fund's Actuaries, Hymans Robertson, delivered the training, in which she gave a presentation and answered questions about the forthcoming triennial valuation of the Fund (as at 31 March 2022).
3. The investment dashboard showed that at 30 September 2021 the Pension Fund's investments were valued at £1,029m and its estimated liabilities were £985mm, meaning that the Investment Funding Level was 104%. This estimate of liabilities is a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Pension Fund Committee in December 2019.
4. The estimated funding level has improved since the triennial valuation, despite the increase in the value of the Fund's liabilities (which is partly linked to the forecast yields on investments), because returns on investments have exceeded expectations in that period. The improvement in the most recent quarter is due to the increase in value of investments during that period.
5. However, it should be noted that the 105% funding level relates only to "past service" benefits (i.e. service accrued to date). The Fund will also have to meet liabilities in respect of future service, which will in turn depend on pay levels and other factors. However, taking into account the changes in the forecast growth in liabilities (linked to inflation and pay settlements), and the forecast future return on investments, the probability of the Fund being 100% funded at the end of the agreed

deficit recovery period has increased, and the investment return required to achieve this outcome has fallen, both of which are “good news”.

6. The Fund’s valuation at 31 October 2021 is shown at appendix 1 – it had increased further to £1,038m. Since the September meeting, the planned changes to the Fund’s Fixed Income portfolio have been completed and there have been further drawdowns to both the LCIV Infrastructure Fund and the LCIV Renewables Infrastructure Fund. At 31 October 2021, 68.5% of the Fund’s investments were pooled or in passive investments which are regarded as being pooled.
7. For Board members’ information, the remaining meeting of the Pension Fund Committee in the 2021-22 municipal year is scheduled to take place on Wednesday 9th March 2022. The meeting is scheduled to start at 6.30pm. It is intended that a training session will be held before the Pension Fund Committee meeting, beginning at 5.30pm. All Board members are welcome to attend both the training sessions and the meeting. The meeting will continue to be held in hybrid form, with only the voting members and some officers required to be “physically present” with others joining via Microsoft Teams until fully “in person” meetings can be held safely.

Legal Implications

8. There are no direct legal implications arising from this report.
9. The terms of reference for the Board include assisting 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.

Financial Implications

10. 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

11. 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.
12. 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

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

Council Priorities

15. 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: 30/11/2021

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 30/11/2021

Chief Officer: Dawn Calvert

Signed on behalf of the Corporate Director

Date: 7/12/2021

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

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Background Papers: None