

Report for: Pension Board

Date of Meeting:	1 December 2022
Subject:	Review of Pension Fund Committee Items
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Pension Fund Valuation at 30 September 2022

Section 1 – Summary and Recommendations

This report summarises the matters to be considered by the Pension Fund Committee at its next meeting on 23 November 2022 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 meeting is on 23 November 2022. At the time of publishing this agenda the meeting had not taken place – an update on decisions taken will be provided. Before the meeting, the slot allocated for development of members' knowledge and skills (training) will include a briefing on the audit process for the Pension Fund Annual Report and Accounts 2021/22 which will be given by Paddy Saad, Audit Manager, Mazars LLP.

2. At its meeting on 23 November 2022 the Committee will consider the following items:

Report	Comments
Part I	
Performance Dashboard and Update on Regular items	The Committee will review the position of the Fund at the end of Q3 2022 (30 September 2022), 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 remainder of the 2022-23 municipal year.
Review of Pension Fund Risk Register	The Committee will review Risk Register. This item is reported elsewhere on this agenda.
Taskforce on Climate-Related Financial Disclosures	The Committee will be asked to review and approve a draft response to the Government Consultation.
2022 Triennial Valuation	The Committee will consider the draft Funding Strategy Statement and be asked to approve that for consultation. Please see report elsewhere on this agenda.
Responsible Investment Policy	The Committee will be asked to consider and review a draft RI Policy
Part II	
Performance Dashboard and Update on Regular items	The Committee will consider comments / reports on investment managers' performance. The report will be considered in part II because of the sensitive nature of investment decisions.
Review of Property Investments (LaSalle Fund of Funds)	The Committee will receive an oral update report on progress since the last meeting. The report will be considered in part II because of the sensitive nature of investment decisions.

3. The Pension Fund's investments were valued at £899m at 30 September 2022. However, the Board should note that withdrawals totalling £12m from global equities (£6m each from LCIV Global Equity Focus Fund and Blackrock Passive) to meet the cash settlements required for currency hedging in early October had been processed in the equities valuation, but the cash settlement was not received in the Fund's bank account

until 3 October 2022. This arises because of the normal delay between the transaction date and the settlement date (3 business days). The details of the valuation are shown at appendix 1.

4. The values of most asset classes fell slightly during the quarter – this was due to the continuing inflationary pressures on the global economy and expectations of rises in interest rates. As previously reported, the fall in the value of the £ relative to the US dollar impacted negatively on the Fund’s currency hedging positions. This was exacerbated by the political challenges in the UK at that end of September, which meant that £19.6m of hedging cash settlements was required. As this hedging loss offset some gains in equities during the quarter, redemptions were made from the Fund’s overweight equity holdings to meet the cash calls.
5. The Fund’s past service liabilities at 30 September 2022 totalled £786m meaning the Fund was approximately 116% 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 this 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, during a period of volatility in markets. Further market movements will lead to further fluctuations in funding level.
6. It should be noted also that the 116% 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.
7. At 30 September 2022, the value of the Fund’s investments was £899m. At that date, 81% of the Fund’s investments were pooled or in passive investments which are regarded as being pooled.

Legal Implications

8. There are no direct legal implications arising from this report.
9. The terms of reference for the Board include the Board’s role as set out in the following paragraphs.
10. 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.
11. 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.
12. 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
13. 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.
14. 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.
15. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

16. 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

17. 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.
18. 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

19. Was an Equality Impact Assessment carried out? No

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/11/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 17/11/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 21/11/2022

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone: 020 8736 6552

Background Papers: None