



REPORT FOR: Pension Board

Date of Meeting:	12th July 2023
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 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
Part I	
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.
Part II	
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: 3rd July 2023

Statutory Officer: Caroline Eccles

Signed on behalf of the Monitoring Officer

Date: 30th June 2023

Chief Officer: Dawn Calvert

Signed on behalf of the Corporate Director

Date: 3rd 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

Telephone 020 8420 9264

Background Papers: None