

Pension Board AGENDA

DATE: Tuesday 28 June 2016

TIME: 7.30 pm

VENUE: Committee Room 5,
Harrow Civic Centre

MEMBERSHIP (Quorum 3)

Chair: To be appointed

Board Members:

- | | |
|------------------------------|---|
| Councillor Kiran Ramchandani | - Employer Representative - London Borough of Harrow |
| Gerald Balabanoff | - Scheme Members' Representative – Pensioners |
| Richard Harbord | - Independent Member |
| Sudhi Pathak | - Employer Representative - Scheduled and Admitted Bodies |
| John Royle | - Scheme Members' Representative - Active Members |
| | - |

Contact: Alison Atherton, Senior Professional Democratic Services
Tel: 020 8424 1266 Email: alison.atherton@harrow.gov.uk

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. APPOINTMENT OF CHAIR

To appoint a Chair for 2016/17 Municipal Year.

3. APPOINTMENT OF VICE CHAIR

To appoint a Vice Chair for the 2016/17 Municipal Year.

4. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Committee;
- (b) all other Members present.

5. MINUTES (Pages 5 - 10)

That the minutes of the meeting held on 23 March 2016 be taken as read and signed as a correct record.

6. PUBLIC QUESTIONS *

To receive any public questions received in accordance with Committee Procedure Rule 17.

Questions will be asked in the order notice of them was received and there be a time limit of 15 minutes.

[The deadline for receipt of public questions is 3.00 pm, Thursday 23 June 2016. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

7. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

8. DEPUTATIONS

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

9. INFORMATION REPORT - LONDON BOROUGH OF HARROW PENSION FUND: DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (Pages 11 - 60)

Report of the Director of Finance

10. INFORMATION REPORT - MANAGEMENT AND INVESTMENT EXPENSES BENCHMARKING (Pages 61 - 104)

Report of the Director of Finance

11. INFORMATION REPORT - PENSION FUND COMMITTEE MEETING 9 MARCH 2016 (Pages 105 - 110)

Report of the Director of Finance

12. INFORMATION REPORT - LONDON BOROUGH OF HARROW PENSION BOARD: DRAFT ANNUAL REPORT TO COUNCIL 2016 (To Follow)

Report of the Director of Finance

13. INFORMATION REPORT - WORK PROGRAMME 2016/17 (Pages 111 - 114)

Report of the Director of Finance

14. INFORMATION REPORT - ANNUAL REVIEW OF INTERNAL CONTROLS AT LONGVIEW PARTNERS (Pages 115 - 118)

Report of the Director of Finance

15. ANY OTHER BUSINESS

Which the Chair has decided is urgent and cannot otherwise be dealt with.

AGENDA - PART II

16. INFORMATION REPORT - ACTUARIAL VARIATION 2016 (Pages 119 - 156)

Report of the Director of Finance

*** DATA PROTECTION ACT NOTICE**

The Council will audio record item 6 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[**Note:** The questions and answers will not be reproduced in the minutes.]

This page is intentionally left blank

PENSION BOARD MINUTES

22 MARCH 2016

Chair: * Mr R Harbord

Board Members:	* Councillor Kiran Ramchandani	Employer Representative - London Borough of Harrow Scheme Members'
	* Gerald Balabanoff (VC)	Representative - Pensioners
	* Sudhi Pathak	Employer Representative - Scheduled and Admitted Bodies
	* John Royle	Scheme Members' Representative - Active Members

* Denotes Member present

27. **Declarations of Interest**

RESOLVED: To note that no interests were declared by the Board Members present.

28. **Minutes**

RESOLVED: That the minutes of the meeting held on 2 November 2015 be taken as read and signed as a correct record.

29. **Public Questions**

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

30. **Petitions**

RESOLVED: To note that no petitions were received.

31. Deputations

RESOLVED: To note that no deputations were received.

RESOLVED ITEMS

32. Information Report - Actuarial Valuation 2016

The Board received a presentation from the Actuary, Hymans Robertson LLP on the Actuarial Valuation 2016.

The Actuary outlined the content of the presentation, which had also been received by the Pension Fund Committee. She explained that a formal actuarial valuation of the Pension Fund was due and that the Council had appointed Hymans Robertson LLP to carry out the work. The officer reported that the employer consultation was likely to be held in September 2016 and that he had requested that the actuary look at the funding strategy statement.

During the presentation the Board made comments and asked questions as follows:

- if the local authority, as administering authority of the Fund, fixed the contribution rate that was, in the view of the Board, too low the Board should raise this as an issue;
- the role of the Board was to ensure that the administering authority had been through a proper process to set the contribution rate;
- a member of the Board questioned how he could be sure that the work being done by the actuary was correct and was advised that only the process could be checked;
- the position in terms of Academies was questioned and it was acknowledged that depending on its profile, the contribution rate may be higher;
- any fund could be chosen by an admitted body but it was questioned whether an Academy in Harrow could choose a fund in, for example, Hillingdon or Barnet;
- some of the assumptions were questioned/ challenged.

RESOLVED: That the report be noted.

33. Information Report - Management and Investment Expenses Benchmarking

The Board received a report which provided an update on developments in connection with benchmarking the management and investment expenses of the Fund.

RESOLVED: That the report be noted.

34. Information Report - Pension Fund Committee Advisers

The Board received a report which provided information on the advisers appointed by the Pension Fund Committee.

A Board member questioned the rationale for appointing two Independent Advisers when an Investment Consultant was already being retained at a fee of £100,000 and was advised that the Committee had wanted to receive independent advice. The officer added that the Independent Advisers had a different role from the long standing Co-optee on the Committee.

The Board member commented further that the fee of £15,000 per annum paid to the Independent Advisers was too high for their attendance at four meetings. The officer responded that the Advisers were required to keep their knowledge up to date, attend the managers meeting in October and did assist with other work including assisting with the response to the Department for Communities and Local Government on their plans for the future.

RESOLVED: That the report be noted.

35. Information Report - Governance Compliance Statement

The Board received a report which detailed the existing Governance Compliance Statement. The officer invited the Board to submit comments on the Statement by no later than mid May 2016.

The Board expressed concern in relation to the lack of access of some members to the Part II papers submitted to the Pension Fund Committee. Harrow's compliance with routine practice was questioned. The Board requested that the practice used by other local authorities be researched.

RESOLVED: That the report be noted.

36. Information Report - Pension Fund Committee Meeting 25 November 2015

The Board received a report which outlined the issues considered by the Pension Fund Committee on 25 November 2015. The officer reported that the Committee had also met on 9 March 2016 when the most significant items of discussion, which also appeared on the Board's agenda, were the Collective Investment Vehicle and Actuarial Valuation.

The officer reported that the London Pensions Collective Investment Vehicle would be a regular item on the Committee's agenda. He advised that 69 out of 90 authorities were members of the Local Authorities Pension Fund and could therefore exert pressure in terms of Environmental, Social and Governance (ESG) issues. The Committee had requested that a letter be sent to the GMO about the poor response from them in terms of ESG.

The Board were informed that State Street Global Services, the Council's Performance Measurement Adviser had terminated its contract with all its UK clients and would no longer be carrying out work for Harrow. A Board member suggested that this matter should be taken up with Scheme Advisory Board.

RESOLVED: That

- (1) a letter be sent to the Scheme Advisory Board expressing the Board's concern that the services provided by StateStreet Global Services would no longer be available;
- (2) the Board consider the process whereby the Pension Fund Committee were making decisions based on the advice provided by AON Hewitt.

37. Information Report - Annual Review of Internal Controls at Fund Managers

The Board received a report which set out the latest internal controls reports of each of the Fund Managers.

RESOLVED: That the report be noted.

38. Information Report - Environmental, Social and Governance Issues in Pension Fund Investment

The Board received a report which set out the responses received to requests to the Fund managers in relation to Environmental, Social and Governance (ESG) Issues.

The Board noted that there had not been unanimous signing up to the Codes by the managers and that they should be asked questions in relation to ESG issues at shortlisting/ an early stage. A Board member questioned the compliance if the Council invested in the Collective Investment Vehicle (CIV). It was suggested that Fund managers be questioned on ESG issues when they gave their presentation.

RESOLVED: That the report be noted.

39. Any Other Business

It was agreed that following items be considered as a matter of urgency given that the next meeting of the Board was in June 2016:

- (i) Work Programme – the officer undertook to provide this at the next meeting;
- (ii) Annual Report – the officer reported that a draft, taking on board the comments made about the terms of reference of the Board, would be submitted to the next meeting to enable it to be reported to Council in September 2016.

RESOLVED: That the position be noted.

(Note: The meeting, having commenced at 2.00 pm, closed at 4.13 pm).

(Signed) RICHARD HARBORD
Chair

This page is intentionally left blank

REPORT FOR: Pension Board

- Date of Meeting:** 28 June 2016
- Subject:** Information Report - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2016
- Responsible Officer:** Dawn Calvert, Director of Finance
- Exempt:** No
- Wards Affected:** All
- Enclosures:** Appendix – London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2016

Section 1 – Summary and Recommendation

Summary

This report presents the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2016.

Recommendation

The Board is recommended to:

- Consider the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2016 and comment as it sees fit.

Section 2 – Report

1. Attached is the Pension Fund draft Annual Report and Financial Statements for the year ended 31 March 2016.
2. The audit of the Accounts by KPMG LLP will commence in July and approval will be sought as part of the Council's overall Accounts from Governance, Audit, Risk Management and Standards Committee on 8 September 2016. The audited accounts together with the auditor's report to the will be presented to the Board at its next meeting.
3. To assist in the Board's consideration it is advised of the following key points:

Introduction (Page 3)

Provided by Director of Finance highlighting that during the year the net assets of the Fund decreased from £674.8m to £660.8m and the Fund was ranked 87th (out of approximately 90) in the local authority annual league table of investment returns for the year.

Audit Statement (Page 4)

To be provided in September 2016.

Scheme Overview (Page 7)

Number of pensioners showing an increase from 4,873 in 2012-13 to 5,438 in 2015-16.

Number of deferred pensioners showing an increase from 5,569 in 2012-13 to 6,700 in 2015-16.

Number of active members remaining stable at 5,562 in 2012-13 to 5,561 in 2015-16

Accounts for year ended 31 March 2016 (Page 18)

	£m
Contributions by members and employers including transfers	- 34.4
Benefits paid including transfers	34.5
Investment income	-10.4
Management expenses (including fees charged by investment managers of £3.5m)	4.8
Decrease in market value of investments	19.6

The Fund continues to mature in that benefit payments exceed contributions. This shortfall is smaller in 2015-16 than in recent years due to the large inflow of funds arising from the transfer of Legal staff from the London Borough of Barnet Fund to the Council's Fund. This trend towards maturity can be expected to continue as the number of pensioners grows and active membership either stabilises or falls. However, when investment income is taken into account, cashflow remains positive. The impact of falling

membership, longevity and pension increases will steadily increase future cash outflows which, in the longer term, may have to be factored into the investment strategy. Discussions with the Actuary on longer term cashflow modelling are ongoing and will be reported to the Board later in the year.

4. The appendices to the Accounts will be reviewed as appropriate by the Board and the Pension Fund Committee during the next few months.

Financial Implications

5. Whilst this report discusses all aspects of the financial standing of the Pension Fund there are no financial implications arising directly from it.

Legal Comments

6. Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires that an administering authority must produce an annual report containing certain specified matters. The report must be published before 1 December of the scheme year end.

Risk Management Implications

7. All risks are included within the Pension Fund Risk Register.

Equalities implications

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

Council Priorities

9. The financial health of the Pension Fund directly affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 7 June 2016		
Name: Alison Burns	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 8 June 2016		

Ward Councillors notified:

Not applicable

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None

London Borough of Harrow Pension Fund

Annual Report and Financial Statements for the
year ended 31 March 2016



CONTENTS

1.	Introduction.....	3
2.	Independent Auditor's Statement.....	4
3.	Scheme Management and Advisers.....	5
4.	Scheme Overview.....	6
5.	Governance Arrangements.....	9
6.	Investment Policy and Performance.....	10
7.	Statements and Publications.....	13
8.	Risk Management.....	14
9.	Contacts.....	16
10.	Statement of Responsibilities for the Financial Statements..	17
11.	Harrow Pension Fund Financial Statements.....	18
12.	Notes to Harrow Pension Fund Financial Statements.....	20
13.	Statement of the Consulting Actuary.....	44

Appendices

- Appendix 1 Governance Compliance Statement**
- Appendix 2 Communications Policy Statement**
- Appendix 3 A Brief Guide to the Local Government Pension Scheme**
- Appendix 4 Statement of Investment Principles**
- Appendix 5 Funding Strategy Statement**

INTRODUCTION

The main purpose of the Pension Fund Annual Report is to account for the income, expenditure and net assets of the London Borough of Harrow Pension Fund ('the Fund') for the financial year to 31 March 2016. This Report also explains the administration and management of the Fund, the investment and funding policy objectives and asset allocation, as well as highlighting market and Fund performance.

Information about the economic resources controlled by the Fund is provided by the net assets statement. The actuarial funding level is reported in Note 15 and in the Statement of the Consulting Actuary on page 45.

The Pension Fund Committee is responsible for overseeing the management, administration and strategic direction of the Fund. The Committee reviews quarterly the Fund's investment strategy seeking to achieve returns within acceptable risk parameters. This in turn minimises the amount the Council and other employers will need to make in contributions to the Fund to meet future liabilities.

During 2015-16, most major asset classes, particularly UK equities, performed poorly with only overseas bonds and property realising significant growth. The Fund's investments reflected this disappointing performance producing an investment return of -1.9%.

The net assets of the Fund as at 31 March 2016 were £660.8m compared to £674.8m as at 31 March 2015. The Fund was ranked 87th in the local authority annual league table of investment returns for the year.



Dawn Calvert - CPFA
Director of Finance
30th September 2016

**INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH
OF HARROW ON THE PENSION FUND FINANCIAL STATEMENTS**

DRAFT

SCHEME MANAGEMENT AND ADVISORS

Administering Authority	London Borough of Harrow
Pension Fund Committee	Councillor Adam Swersky (Chairman) Councillor Bharat Thakker(Vice Chairman) Councillor Keith Ferry Councillor Norman Stevenson
Independent Advisers	Colin Robertson Richard Romain
Co-optee	Howard Bluston
Trade Union Observers	John Royle - UNISON Pamela Belgrave - GMB
Officer	Dawn Calvert, Director of Finance
Actuary	Hymans Robertson LLP
Investment Consultant	Aon Hewitt Limited
Investment Managers	Aviva Investors Global Services Limited BlackRock Investment Management (UK) Limited GMO LLC Insight Investment Longview Partners Oldfield Partners Pantheon Ventures Record Currency Management Limited Standard Life Investments State Street Global Advisors Limited
AVC Providers	Clerical Medical Equitable Life Assurance Society Prudential Assurance
Custodian	JP Morgan
Auditor	KPMG LLP
Performance Measurement	State Street Global Services
Bankers	The Royal Bank of Scotland

SCHEME OVERVIEW

The Harrow Pension Fund ('the Fund') is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Harrow. The Council is the reporting entity for the Fund.

a) General

The Scheme is governed by the Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Harrow Pension Fund Committee, which is a committee of the Council.

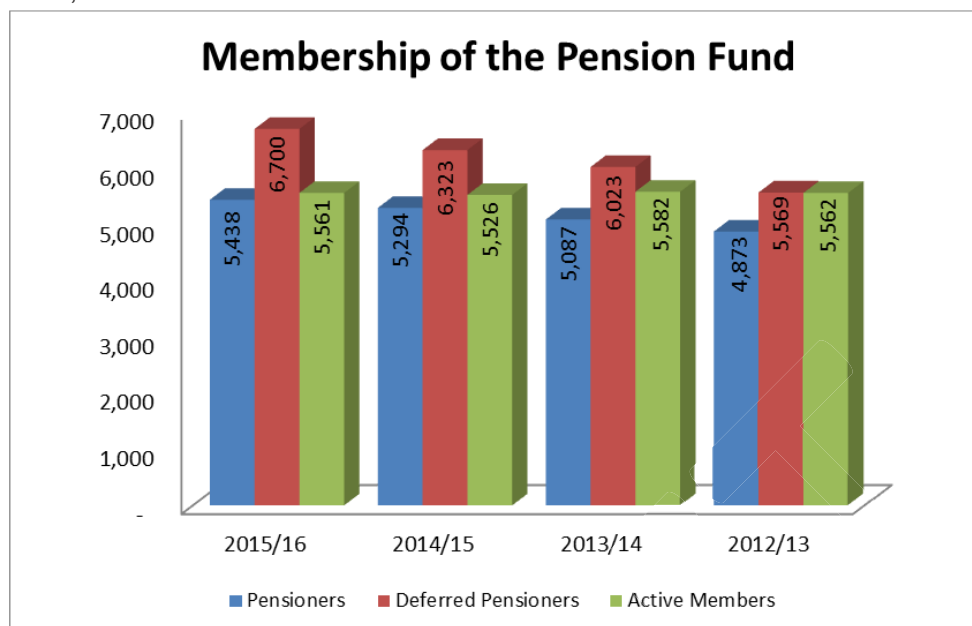
b) Memberships

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Fund are:

- **Scheduled Employer:** These are statutorily defined bodies listed within the LGPS Regulations and have a statutory obligation to participate in the LGPS (e.g. a local authority, a further or higher education establishment).
- **Community Admission Body:** These are typically charities or other not-for-profit public sector bodies providing a public service which has sufficient links with the administering employer to be regarded as having a community of interest.
- **Transferee Admission Body:** These are typically private sector companies or charities which will have taken on staff from a local authority as a result of an outsourcing of services.

There are 30 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Actives	Deferred	Pensioners	Total	%
Harrow Council	Scheduled Body	4,086	5,660	5,087	14,833	83.80
Alexandra School	Scheduled Body	23	3	1	27	0.15
Avanti Free School	Scheduled Body	28	4	0	32	0.18
Aylward Primary School	Scheduled Body	77	6	0	83	0.47
Bentley Wood School	Scheduled Body	61	60	7	128	0.72
Canons High School	Scheduled Body	101	37	7	145	0.82
Harrow College	Scheduled Body	142	271	142	555	3.13
Harrow High School	Scheduled Body	63	45	6	114	0.64
Hatch End School	Scheduled Body	86	117	11	214	1.21
Heathland and Whitefriars	Scheduled Body	153	18	2	173	0.98
Krishna Avanti Primary	Scheduled Body	22	7	0	29	0.16
Nower Hill High School	Scheduled Body	124	99	7	230	1.30
Park High School	Scheduled Body	88	50	4	142	0.80
Pinner High Academy	Scheduled Body	1	0	0	1	0.01
Rooks Heath College	Scheduled Body	107	40	7	154	0.87
Salvatorian College	Scheduled Body	42	44	6	92	0.52
St Bernadettes	Scheduled Body	30	0	0	30	0.17
St Dominics College	Scheduled Body	53	27	33	113	0.64
Stanmore College	Scheduled Body	78	144	69	291	1.64
NLCS	Community Admission Body	77	34	28	139	0.79
Birkin	Transferee Admission Body	10	0	0	10	0.06
Carillion Services	Transferee Admission Body	55	19	18	92	0.52
Chartwells	Transferee Admission Body	16	2	1	19	0.11
Engie (Cofely)	Transferee Admission Body	2	0	0	2	0.01
Govindas	Transferee Admission Body	5	0	0	5	0.03
Granary Kids	Transferee Admission Body	1	1	1	3	0.02
Jubilee Academy	Transferee Admission Body	14	11	0	25	0.14
Linbrook	Transferee Admission Body	4	1	0	5	0.03
Sopria Steria	Transferee Admission Body	9	0	1	10	0.06
Taylor Shaw	Transferee Admission Body	3	0	0	3	0.02
Total		5,561	6,700	5,438	17,699	100.00

c) Funding

Full-time, part-time and casual employees, where there is a mutuality of obligation and who have a contract of more than three months, are brought into the Fund automatically but have the right to “opt out” if they so wish. Casual employees with no mutuality of obligation are not eligible for membership.

Employee contribution rates are set by regulations and are dependent upon each member’s full time equivalent salary. Employee contributions attract tax relief at the time they are deducted from pay and the employee also pays lower National Insurance contributions between the Lower and Upper Earnings Limits, unless the employee has opted to pay the married woman’s reduced rate.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2013 and showed that the Fund was 70% Funded. The deficit is to be funded by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 15% to 28% of pensionable pay with most of the largest employers paying approximately 20.85%

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the Scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in each year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 3.

GOVERNANCE ARRANGEMENTS

The Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund. The Committee met five times during the year. It comprises four Councillors with full voting rights. Representatives from the trade unions are able to participate as observers of the Committee and do not have voting rights.

The Pension Fund Committee has the following terms of reference:

- 1) to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the Fund), save for those matters delegated to other Committees of the Council or to an Officer;
- 2) the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- 3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 4) to establish a strategy for the disposition of the pension investment portfolio;
- 5) to appoint and determine the investment managers' delegation of powers of management of the Fund;
- 6) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended), subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
- 7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.
- 8) to approve any severance packages for Officers of £100,000 or over irrespective of the grade of Officer. The definition of severance package is in accordance with the DCLG supplementary statutory guidance 'Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011 issued in February 2013

The Committee is advised by two independent advisers, a co-optee and an investment consultant.

The dates of the Pension Fund Committee meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<http://www.harrow.gov.uk/www2/mgCommitteeDetails.aspx?ID=1297>

The Local Pension Board assists the Council and the Pension Fund Committee in the administration of the Fund.

INVESTMENT POLICY AND PERFORMANCE

Investment Market Commentary (provided by State Street Global Services Performance Services, 2016)

All equity markets, with the exception of North America, produced negative returns over the year. In spite of a surprise outright majority being returned in May's general election, domestic equities lost ground in the early part of the period. After rebounding to some extent in the December quarter, they ended the period down 4%, reflecting the high exposure to oil majors and commodities, which continued to suffer as oil prices fell.

In sterling terms, North America was the strongest performing of the major overseas markets returning 3%. In contrast, the poorest performing areas were the emerging and lesser Asia Pacific markets which gave up between 7 and 8%. Elsewhere, Europe lost 3% and Japan 4%. Currency had a major influence on international equity returns with the weakness of sterling insulating UK investors against much lower base currency returns.

After the double-digit returns of the previous year, bond performance was much more subdued with an aggregate return in low single figures. Yields fell at the outset of the year and by Christmas, returns were looking quite negative. Central government comments and risk aversion generally in the closing quarter however saw yields pick up. Long dated bonds produced the best of the returns whilst corporate issues were marginally down over the period. Index-Linked gilts returned 2% and overseas bonds 4%.

Alternative investments in aggregate enjoyed a good year, however fortune was mixed. Private equity returned 14%, whilst hedge fund performance was flat. Pooled multi-asset (diversified growth) investments had a disappointing year, returning -3%. Property continued its strong run, returning 11%.

Investment Policy

The investment objective of the Fund is to achieve a return that is sufficient to meet the primary funding objective of minimising the level of employer contribution in order to meet the cost of Fund benefits as required by statute, subject to an appropriate level of risk (implicit in the target) and liquidity.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

The Fund Statement of Investment Principles specifies that the Fund may invest in accordance with the Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets. The Regulations specify other investment instruments that may be used, for example, financial futures, traded options, insurance contracts, stock lending and sub-underwriting contracts.

To support the Fund's objective of achieving a return that is sufficient to meet the cost of benefits within acceptable risk parameters the Committee, in conjunction with the Fund's investment advisor, set the strategic asset allocation on 6 March 2013.

The Committee aims to achieve its investment objective by maintaining a high allocation to growth assets, mainly equities, reflecting the security of the sponsor's covenant, the funding level, the long time horizon of the Fund and the projected asset class returns and volatility.

Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole Fund.

The following table compares the actual asset allocation as at 31 March 2016 to the agreed allocation

Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Fixed interest securities	11	10
Index-linked securities	3	3
Developed world equities-active	23	21
Emerging markets equities-active	11	10
Global equities-passive	34	31
Pooled property	8	10
Private equity	3	5
Diversified growth funds	8	10
Forward currency contracts	(1)	0
Total	100	100

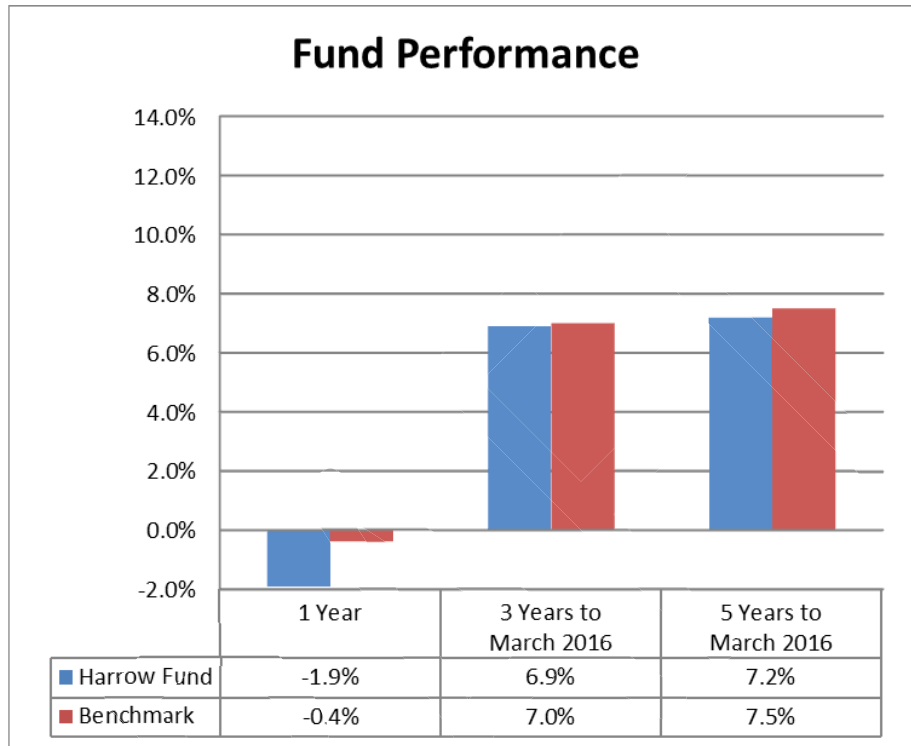
The Committee believes in appointing Fund managers with clear performance benchmarks that place maximum accountability for performance against that benchmark with the investment manager. Fund managers are set risk parameters to provide them with some flexibility in achieving the asset allocation to allow them to make the most of market conditions. They must seek approval for any positions that go beyond the agreed risk parameters set for their strategies. The Fund has ten investment managers to give diversification of investment style and spread of risk. The Committee will continue to monitor the ability of the investment managers to achieve their target returns.

Investments held by Fund Managers

Market value 31 March 2015	Percentage of Fund	Manager	Investment assets	Market value 31 March 2016	Percentage of Fund
£'000	%			£'000	%
69,247	10	BlackRock	Fixed interest securities	69,401	11
17,130	3	BlackRock	Index-linked securities	17,577	3
76,541	11	GMO	Emerging markets equities-active	71,463	11
75,561	11	Longview	Developed world equities-active	75,499	12
77,276	12	Oldfields	Developed world equities-active	70,701	11
220,601	33	State Street	Global equities-passive	219,424	34
50,562	8	Aviva	Pooled property	53,481	8
22,954	3	Pantheon	Private equity	20,571	3
28,857	4	Insight	Diversified growth fund	27,071	4
30,678	5	Standard Life	Diversified growth fund	29,216	4
(2,649)	0	Record	Forward currency contracts	(6,388)	(1)
865	0	BlackRock	Cash deposits	44	0
272	0	JP Morgan	Cash deposits	0	0
667,895	100		Total	648,060	100

Fund performance

The Committee uses State Street Global Services as its independent investment performance measurer. Investment returns over 1, 3 and 5 years are shown below.



Source: State Street Global Services

The Fund's return of -1.9% during 2015-16 was due to the relatively poor performance of equities generally and the UK in particular and the disappointing performance of some of the fund managers. Returns over the longer time periods were broadly in line with the expected performance benchmarks.

The average local authority fund (as measured by State Street Global Services Performance Services) returned 0.2% on its assets during the year. The Council's Fund was ranked 87th (2014-15: 14th) in the local authority annual league table of investment returns for the year. This was almost entirely due to the relatively high commitment to equities and in particular to emerging markets.

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

The Local Government Pension Scheme (Administration) Regulations 2008 Regulation 31 require all administering authorities to produce a Governance Compliance Statement. This Statement must set out whether the Administering Authority delegates its function and if so what the terms, structure and operation of the delegation are. The Administering Authority must also state the extent to which a delegation complies with guidance given by the Secretary of State. The current Statement can be found in Appendix 1.

Communications Policy Statement

The Local Government Pension Scheme (Administration) Regulations 2008 require all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's strategy for communicating with members, members' representatives, prospective members and employing authorities, together with the promotion of the Scheme to prospective members and their employing authorities. The latest Statement can be found in Appendix 2.

Local Government Pension Scheme Guide

A brief guide to the Local Government Pension Scheme can be found in Appendix 3

Statement of Investment Principles

Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires administering authorities to publish a Statement of Investment Principles. This Statement provides details of the Fund's investment policies including:

- The types of investment to be held;
- The balance between different types of investment; and
- Risk measurement and management.

The Statement also details the Fund's compliance with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – a guide to the application of the 2008 Myners Principles to the management of LGPS Funds'. The current version can be found in Appendix 4.

Funding Strategy Statement

Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 requires all administering authorities to produce a Funding Strategy Statement. The purpose of the Funding Strategy Statement is to explain the funding objectives of the Fund, in particular:

- How the costs of the benefits provided under the LGPS are met through the Fund;
- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

The Funding Strategy Statement is reviewed every three years at the same time as the triennial actuarial valuation of the Fund. An interim review of the Statement may be carried out and a revised Statement published if there has been a material change in the policy matters set out in the Statement or there has been a material change to the Statement of Investment Principles. The current full Statement can be found in Appendix 5.

RISK MANAGEMENT

The Fund's primary long term risk is that the assets will fall short of its liabilities (i.e. promised benefits payable to members). The Pension Fund Committee is responsible for managing and monitoring risks and ensuring that appropriate risk management processes are in place and operating effectively. The aim of risk management is to limit risks to those that are expected to provide opportunities to add value.

The most significant risks faced by the Fund and the procedures in place to manage these risks are described below:

Governance and Regulatory Risk

The failure to exercise good governance and operate in line with regulations can lead to financial as well as reputation risk. These risks are managed through:

- Regular reviews of the Statement of Investment Principles and Funding Strategy Statement that set out the high level objectives of the Fund and how these will be achieved;
- Tailored training for members;
- Reviews of the Pension Fund Committee agenda and papers by Harrow's Legal Department; and
- Establishment of the Pension Board.

i) Sponsor Risk

The Fund is currently in deficit and achieving a fully funded status may require the continued payment of deficit contributions. The Actuary reviews the required level of contributions every three years. To protect the Fund and the Administering Employer, bonds and other forms of security are received from Admitted employers.

ii) Investment Risk

The Fund is invested in a range of asset classes as detailed in Note 12. This is done in line with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 which require pension funds to invest any monies not immediately required to pay benefits. These Regulations require the formulation of a Statement of Investment Principles which sets out the Fund's approach to investment including the management of risk. The predominant asset class is listed equities, which has both a greater expected return and volatility than the other main asset classes. Potential risks affecting investments include:

Pricing Risk

The valuation of investments is constantly changing, impacting on the potential realisation proceeds and income. For example, the value of the Fund's investments decreased by 3% in 2015-16 compared to increasing by 14% in the previous year. Most of the price changes relate to the value of global equities. Changes of a similar magnitude are possible in future.

Procedures in place to manage the volatility of investments include:

- Diversification of the investments between asset classes and geographical areas to include fixed interest and index linked bonds, property, multi assets mandates and private equity. The investment strategy is reviewed by the Pension Fund Committee and

market conditions are reviewed to monitor performance at every meeting to determine if any strategic action is required;

- Global equities are managed by three active and one passive manager and diversified growth funds by two managers to reduce the risk of underperformance against benchmarks. The Investment Adviser provides quarterly reports on the performance and skills of each manager to the Pension Fund Committee; and
- The benefit liabilities are all Sterling based and to reduce the currency risk from non Sterling investments, 50% of the overseas currency exposures are hedged to Sterling.

Liquidity Risk

Investments in some asset classes e.g. private equity and property can be illiquid in that they cannot be realised at short notice. Around 11% of Harrow's Fund is in illiquid assets. This is deemed appropriate for a fund that continues to have a positive cashflow. All cash balances are managed in accordance with the Council's Treasury Management Strategy Statement and are all currently on overnight deposit and readily accessible.

Counterparty Risk

The failure by a counterparty, including an investee company, can lead to an investment loss. This risk is mainly managed through wide diversification of counterparties and also through detailed selection of counterparties by external fund managers.

iii) Actuarial Risk

The value of the liability for future benefits is impacted by changes in inflation, salary levels, life expectancy and expected future investment returns. Although there are opportunities to use financial market instruments to manage some of these risks, the Pension Fund Committee does not currently believe these to be appropriate. Recent changes to the benefits structure have reduced some of these risks. All are monitored through the actuarial valuation process and additional contributions required from employers should deficits arise.

iv) Operational Risk

Operational risk relates to losses (including error and fraud) from failures in internal controls relating to investment managers and internally e.g. administration systems.

Controls at external fund managers are monitored through the receipt of audited annual accounts for each manager together with annual assessments of the control environment including reviews of internal controls reports certified by reporting auditors.

Controls within the Administering Authority are reviewed by Harrow's Internal Audit Team.

CONTACTS

Registered Address	London Borough of Harrow HR Operations - Pensions, 3rd Floor South Wing, Civic Centre, Harrow, HA1 2XF
Administration Enquiries	Email address: Pension@harrow.gov.uk Telephone Number: 020 8424 1186 Website: www.harrowpensionfund.org
Complaints and Advice	The Pensions Advisory Service 11 Belgrave Road London SW1V 1RB Telephone Number: 0300 123 1047 Website: www.pensionsadvisoryservice.org.uk The Pensions Regulator Napier House Trafalgar Place Brighton BN1 4DW Telephone Number: 0345 6000707 Website: www.thepensionsregulator.gov.uk The Pensions Ombudsman 11 Belgrave Road London SW1V 1RB Telephone Number: 0207 630 2200 Fax Number: 0207 821 0065 Email: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk
Tracing Service	The Pension Tracing Service Tyneview Park Whitley Road Newcastle Upon Tyne NE98 1BA Telephone Number: 0800 122 3170 Website: www.gov.uk/find-lost-pension

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Chief Financial Officer, i.e., the Director of Finance;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Financial Statements.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2016 and its income and expenditure for the year then ended.



Dawn Calvert – CPFA

Director of Finance

30th September 2016

Harrow Pension Fund Account for the year ended 31 March 2016

2014/15		Notes	2015/16
£'000			£'000
	Dealings with members, employers and others directly involved in the fund		
(28,013)	Contributions receivable	6	(28,333)
(1,267)	Individual transfers in from other pension funds	7	(5,839)
(35)	Other income		(261)
(29,315)			(34,433)
32,008	Benefits payable	8	31,265
2,266	Payments to and on account of leavers	9	3,239
34,274			34,504
4,959	Net additions/reductions from dealings with members		71
3,958	Management expenses	10	4,780
	Return on investments		
(10,863)	Investment income	11	(10,425)
(82,082)	Profit/losses on disposal of investments and changes in the market value of investments	12A	19,568
(92,945)	Net return on investments		9,143
(84,028)	Net (increase)/decrease in the net assets available for benefits during the year		13,994
(590,817)	Net Assets at start of year		(674,845)
(674,845)	Net Assets at end of year		(660,851)

Net Assets Statement as at 31 March 2016

2014/15		Notes	2015/16
£'000			£'000
	Investment assets		
669,407	Pooled investment vehicles	12B	654,404
1,459	Derivative contracts	12B	878
670,866			655,282
	Investment liabilities		
(4,108)	Derivative contracts	12B	(7,266)
666,758			648,016
1,137	Cash with investment managers		44
667,895			648,060
5,793	Cash deposits		11,485
673,688			659,545
2,051	Current assets	17	2,069
(894)	Current liabilities	18	(763)
674,845	Net assets of fund available to fund benefits at the period end		660,851

The accounts summarise the transactions of the Fund and deal with the net assets. The Net Assets Statement does not take account of the obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statement included on pages 45 and 46 and these Financial Statements should be read in conjunction with it.

D. Calvert

Dawn Calvert – CPFA
Director of Finance
30th September 2016

Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2016

NOTE 1: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the financial year to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years, if significant, are classed as long term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations (see notes 7 and 9).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination
- ii) Distributions from pooled funds are recognised at the date of issue.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

Fund account – Expense items

a) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

b) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

c) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However in the interest of greater transparency, the Council discloses its Pension Fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension's Administration Team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs of the Pension's Administration Team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investments managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change

Where an investment manager's fee invoice has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2015/16.

The costs of the Council's in-house Fund Management Team are recharged to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

Net assets statement

a) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of an asset are recognised in the Fund account.

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at bid market price ruling on the final day of the accounting period.

iii) Unquoted investments

Investments in unquoted property pooled funds are valued at the net asset value as advised by the fund manager.

Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines 2012*. The Fund's private equity investments are valued by the manager at 31 December 2015 and are adjusted to take into account distributions/contributions and exchange rate movements taking place up to 31 March 2016

iv) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing price available. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

b) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

c) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers and custodians.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

d) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

e) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 16).

f) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance, Clerical Medical and Equitable Life Assurance Society as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4 (2)(b) of The Local Government Pension Scheme (Management and Investments of Funds) Regulations 2009 but are disclosed as a note only (Note 19)

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the *International Private Equity and Venture Capital Valuation Guidelines 2012*. The value of unquoted private equities at 31 March 2016 was £20.6m (31 March 2015 £23.0m).

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary. Annual updates in the intervening years use the methodology in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in notes 15 and 16. Valuations are subject to significant variances based on changes to the underlying assumptions.

NOTE 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • a 0.5% increase in the discount rate assumption would result in an decrease in the pension liability of £XXm • A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £XXm • a one-year increase in assumed life expectancy would increase the liability by approximately £xxm

Private equity

Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines 2012*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

The total private equity investments in the financial statements are £20.6m. There is a risk that this investment may be under- or overstated in the accounts.

NOTE 5: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

The Fund is not aware of any such events.

NOTE 6: CONTRIBUTIONS RECEIVABLE

By category

2014/15		2015/16
£'000		£'000
(6,561)	Employees' contributions	(6,599)
	Employer's contributions:	
(17,518)	Normal contributions	(17,185)
(3,934)	Deficit recovery contributions	(4,549)
(21,452)	Total employer's contributions	(21,734)
(28,013)		(28,333)

By authority

2014/15		2015/16
£'000		£'000
(21,243)	Administering Authority	(21,504)
(5,410)	Scheduled bodies	(5,667)
(504)	Community admission body	(519)
(856)	Transferee admission bodies	(643)
(28,013)		(28,333)

NOTE 7: TRANSFERS IN FROM OTHER PENSION FUNDS

2014/15		2015/16
£'000		£'000
0	Group transfers	(3,304)
(1,267)	Individual transfers	(2,535)
(1,267)		(5,839)

NOTE 8: BENEFITS PAYABLE

By category

2014/15		2015/16
£'000		£'000
25,188	Pensions	26,454
6,068	Commutation and lump sum retirement benefits	4,074
752	Lump sum death benefits	737
32,008		31,265

By authority

2014/15		2015/16
£'000		£'000
30,268	Administering Authority	29,070
1,398	Scheduled bodies	1,508
203	Community admission body	290
139	Transferee admission bodies	397
32,008		31,265

NOTE 9: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2014/15		2015/16
£'000		£'000
44	Refunds to members leaving service	60
2,222	Individual transfers	3,179
2,266		3,239

NOTE 10: MANAGEMENT EXPENSES

2014/15		2015/16
£'000		£'000
823	Administrative costs	642
2,570	Investment management expenses	3,452
566	Oversight and governance costs	686
3,959		4,780

External audit fees of £21,000, the same as in the previous year, were charged.

NOTE 11: INVESTMENT INCOME

2014/15		2015/16
£'000		£'000
(5,723)	Private equity income	(6,030)
(1,940)	Pooled property investments	(1,708)
(3,200)	Pooled investments - units trusts and other managed funds	(2,687)
(10,863)		(10,425)

NOTE 12: INVESTMENTS

Market value		Market value
31 March 2015		31 March 2016
£'000		£'000
	Investment assets	
69,247	Fixed interest securities	69,401
17,130	Index-linked securities	17,577
449,979	Pooled equity investments	437,087
50,562	Pooled property investments	53,481
22,954	Private equity	20,571
59,535	Alternative investments	56,287
1,459	Derivative contracts: forward currency	878
1,137	Cash deposits	44
672,003	Total investment assets	655,326
	Investment liabilities	
(4,108)	Derivative contracts: forward currency	(7,266)
(4,108)	Total investments liabilities	(7,266)
667,895	Net investment assets	648,060

NOTE 12A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Fixed interest securities	69,247	3,130	(231)	(2,745)	69,401
Index-linked securities	17,130	1,032	(422)	(163)	17,577
Pooled equity investments	449,979	0	0	(12,892)	437,087
Pooled property investments	50,562	0	0	2,919	53,481
Private equity	22,954	0	0	(2,383)	20,571
Alternative investments	59,535	0	0	(3,248)	56,287
Derivative contracts:net forward currency	(2,649)	3,867	(3,405)	(4,201)	(6,388)
Cash - JP Morgan Transition	268	0	(268)	0	0
	667,026	8,029	(4,326)	(22,713)	648,016
Cash - BlackRock / other	869	(3,512)	(4)	2,691	44
	869	(3,512)	(4)	2,691	44
Total investment assets	667,895	4,517	(4,330)	(20,022)	648,060

The net change in market value during the year 2015/16 comprises the gross reduction in market value of £16.878m less fees charged directly by the fund managers of £3.144m

	Market value 31 March 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Fixed interest securities	57,567	3,302	(106)	8,484	69,247
Index-linked securities	14,468	683	(791)	2,770	17,130
Pooled equity investments	387,311	363,811	(357,708)	56,565	449,979
Pooled property investments	45,051	0	0	5,511	50,562
Private equity	24,648	731	(6,476)	4,051	22,954
Alternative investments	54,520	27,925	(27,924)	5,014	59,535
Derivative contracts:net forward currency	1,113	1,282	(1,713)	(3,331)	(2,649)
Cash - JP Morgan Transition	0	0	0	268	268
	584,678	397,734	(394,718)	79,332	667,026
Cash - BlackRock / other	602	(2,938)	0	3,205	869
	602	(2,938)	0	3,205	869
Total investment assets	585,280	394,796	(394,718)	82,537	667,895

The net change in market value during the year 2014/15 comprises the gross increase in market value of £85.287m less fees charges directly by the fund managers of £2.750m

NOTE 12B: ANALYSIS OF POOLED INVESTMENTS

31 March 2015		31 March 2016	
£'000		£'000	
UK			
69,247	Fixed Interest Securities	Corporate	69,401
17,130	Index Linked Securities	Public Sector	17,577
50,562	Managed Funds - Property	Unit Trusts	53,481
136,939			140,459
Global			
30,678	Managed Funds - Other	Unit Trusts	29,216
220,601	Managed Funds - Other	Unitised Insurance Policy	219,424
22,954	Managed Funds - Other	Private Equity	20,571
258,235	Managed Funds - Other	Other	244,734
532,468			513,945
669,407			654,404

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	GBP	2,360	AUD	(4,967)		(299)
Up to one month	GBP	3,136	CAD	(6,507)		(365)
Up to one month	GBP	4,143	CHF	(6,112)		(300)
Up to one month	GBP	5,100	EUR	(6,878)		(356)
Up to one month	HKD	40,399	GBP	(3,651)		(27)
Up to one month	GBP	3,493	HKD	(40,399)		(132)
Up to one month	GBP	12,164	JPY	(2,204,400)		(1,486)
Up to one month	GBP	26,631	USD	(40,405)		(1,484)
One to six months	GBP	2,634	AUD	(4,967)		(13)
One to six months	GBP	3,469	CAD	(6,507)		(31)
One to six months	GBP	4,416	CHF	(6,112)		(44)
One to six months	GBP	5,037	EUR	(6,878)		(432)
One to six months	GBP	9,885	JPY	(1,797,900)		(1,276)
One to six months	GBP	23,283	USD	(34,707)		(860)
Over six months	GBP	5,429	EUR	(6,878)		(55)
Over six months	GBP	11,137	JPY	(1,797,900)		(54)
Over six months	GBP	21,473	USD	(30,965)		(52)
Up to one month	AUD	4,967	GBP	(2,646)	13	
Up to one month	CAD	6,507	GBP	(3,470)	31	
Up to one month	CHF	6,112	GBP	(4,400)	43	
Up to one month	EUR	6,878	GBP	(5,402)	53	
Up to one month	JPY	2,204,400	GBP	(13,320)	330	
Up to one month	USD	40,405	GBP	(27,791)	325	
One to six months	USD	3,742	GBP	(2,546)	57	
One to six months	GBP	3,651	HKD	(40,399)	26	
Open forward currency contracts at 31 March 2016					878	(7,266)
Net forward currency contracts at 31 March 2016						(6,388)
<u>Prior year comparative</u>						
Open forward currency contracts at 31 March 2015					1,459	(4,108)
Net forward currency contracts at 31 March 2015						(2,649)

The following investments represent more than 5% of the net assets of the Fund

Market value 31 March 2015	% of total fund	Investment	Market value 31 March 2016	% of total fund
£'000			£'000	
220,601	33	SSGA MPF All World Equity Index Sub-Fund	219,424	34
75,561	11	Longview Partners - Global Pooled Equities FD K Class	75,499	12
76,541	11	GMO Emerging Domestic Opportunities Equity Fund	71,463	11
77,276	12	Overstone Global Equity CCF (USD Class A1 Units)	70,701	11
69,247	10	BlackRock Institutional Bond Fund - Corp Bond 10 yrs A Class	69,401	11
50,562	8	Aviva Investors UK Real Estate Fund of Funds	53,481	8
569,788	85	Total over 5% holdings	559,969	87

NOTE 12C: STOCK LENDING

Within the Statement of Investment Principles stock lending is permitted within pooled funds. At present, use of this facility is restricted to the State Street Global Advisors mandate.

The State Street lending programme covers equity and fixed income assets around the world and is designed to generate incremental returns for investors in a risk controlled manner.

The programme benefits from a counterparty default indemnity from State Street Bank & Trust Company pursuant to its Securities Lending Authorisation Agreement.

NOTE 13: FINANCIAL INSTRUMENTS

NOTE 13A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	31 March 2015 £'000	£'000		£'000	31 March 2016 £'000	£'000
Financial assets						
69,247	0	0	Fixed interest securities	69,401	0	0
17,130	0	0	Index-linked Securities	17,577	0	0
449,979	0	0	Pooled equity investments	437,087	0	0
50,562	0	0	Pooled property investments	53,481	0	0
22,954	0	0	Private equity	20,571	0	0
59,535	0	0	Alternative investments	56,287	0	0
1,459	0	0	Derivative contracts	878	0	0
0	8,496	0	Cash	0	13,281	0
0	485	0	Debtors	0	317	0
670,866	8,981	0		655,282	13,598	0
Financial liabilities						
(4,108)	0	0	Derivative contracts	(7,266)	0	0
0	0	0	Other investment balances	0	0	0
0	0	(894)	Creditors	0	0	(763)
(4,108)	0	(894)		(7,266)	0	(763)
666,758	8,981	(894)		648,016	13,598	(763)

NOTE 13B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2015		31 March 2016	
£'000		£'000	
	Financial assets		
82,395	Fair value through profit and loss	(18,512)	
3,473	Loans and receivables	2,691	
	Financial liabilities		
(3,331)	Fair value through profit and loss	(4,201)	
0	Loans and receivables	0	
82,537	Total	(20,022)	

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

NOTE 13C: VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts.

As far as they are available listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Harrow Pension Fund has invested.

These valuations are prepared in accordance with the *International Private Equity and Venture Capital Valuation Guidelines*, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments and currency movements are used to roll forward the valuations to 31 March as appropriate.

The following tables provide an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	633,833	878	20,571	655,282
Loans and receivables	13,598	0	0	13,598
Total financial assets	647,431	878	20,571	668,880
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(7,266)	0	(7,266)
Financial liabilities at amortised cost	(763)	0	0	(763)
Total financial liabilities	(763)	(7,266)	0	(8,029)
Net financial assets	646,668	(6,388)	20,571	660,851

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	646,453	1,459	22,954	670,866
Loans and receivables	8,981	0	0	8,981
Total financial assets	655,434	1,459	22,954	679,847
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(4,108)	0	(4,108)
Financial liabilities at amortised cost	0	0	(894)	(894)
Total financial liabilities	0	(4,108)	(894)	(5,002)
Net financial assets	655,434	(2,649)	22,060	674,845

NOTE 14: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on an annual basis.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

i) Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's investment managers mitigate this price risk through diversification.

ii) Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance advisors, the Council has determined that the following movements in market price risk are reasonably possible.

Assets type	Potential market movements (+/-)
Total equities	10.07%
Fixed interest & index linked securities	9.07%
Alternative investments	7.36%
Cash and equivalents	0.01%
Pooled property investments	2.37%

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the Fund's asset allocations. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix.

Had the market price of the Fund investments increased/decreased in line with the above the change in the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2016 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	11,529	0.01	11,530	11,528
Investment portfolio assets:				
Total equities	457,658	10.07	503,744	411,572
Fixed interest & index linked securities	86,978	9.07	94,867	79,089
Alternative investments	56,287	7.36	60,430	52,144
Pooled property investments	53,481	2.37	54,748	52,214
Derivative contracts: net forward currency	(6,388)	0.00	(6,388)	(6,388)
Total	659,545		718,931	600,159

b) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below.

Asset type	As at 31 March 2016	As at 31 March 2015
	£'000	£'000
Cash and cash equivalents	11,529	6,930
Fixed interest securities	69,401	69,247
Total	80,930	76,177

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits.

The impact of a 1% movement in interest rates would be as follows:

Assets exposed to interest rate risk	Carrying amount as at 31 March 2016	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	11,529	0	11,529	11,529
Fixed interest securities	69,401	694	70,095	68,707
Total change in assets available	80,930	694	81,624	80,236

Assets exposed to interest rate risk	Carrying amount as at 31 March 2015	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	6,930	0	6,930	6,930
Fixed interest securities	69,247	692	69,939	68,555
Total change in assets available	76,177	692	76,869	75,485

This analysis demonstrates that changes in interest rates do not impact on the value of cash & cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities. However since the Fund's cash balances are low, the effect of interest changes is minimal.

c) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated

in currencies other than sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

The table below provides the estimated total of the Fund's currency exposure as at 31 March 2016.

Currency risk sensitivity analysis

Following analysis of historical data in consultation with the Fund's performance advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 3.77%

A 3.77% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

Currency Exposure - asset type	Asset Value as at 31 March 2016	Change to net assets	
		+3.77%	-3.77%
	£'000	£'000	£'000
Overseas Equities	390,763	405,503	376,023

d) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However the selection of high quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2016 was £11.5m (31 March 2015: £6.9m). This was held with the following institutions.

Summary	Balances at 31 March 2016	Balances at 31 March 2015
	£'000	£'000
Bank accounts		
Royal Bank of Scotland	10,048	4,633
JP Morgan	1,437	1,432
BlackRock	44	865
	11,529	6,930

e) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2016 the value of illiquid assets was £74.05m, which represented 11% of the total Fund assets (31 March 2015: £73.5m, which represented 11% of the total Fund assets).

All financial liabilities at 31 March 2016 are due within one year.

f) Refinancing risk

The Pension Fund does not have any financial instruments that have a refinancing risk.

NOTE 15: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a Funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation takes place as at 31 March 2016.

The key elements of the Funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2013 actuarial valuation, the Fund was assessed as 70.3% funded (73.5% at the March 2010 valuation). This corresponded to a deficit of £234m (2010 valuation: £157m) at that time.

For most employers within the Fund, contribution increases were phased in over the 3 years' period ending 31 March 2017.

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions

Financial assumptions	2013 %	2010 %
Price inflation (CPI)	2.5	3.3
Salary increases	3.8	4.8
Pension increases	2.5	3.3
Gilt based discount rate	3.0	4.5
Funded basis discount rate	4.6	6.1

Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% per annum.

Future life expectancy based on the actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.1 years	24.4 years
Future pensioners (assumed to be aged 45)	24.5 years	26.9 years

Commutation assumption

It is assumed that 50% of future retirees will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

NOTE 16: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 15). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2015		31 March 2016
£m		£m
(959)	Present value of promised retirement benefits	(894)
602	Fair value of scheme assets	594
(357)	Net Liability	(300)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

	2015/16	2014/15
	% pa	% pa
Inflation/pensions increase rate assumption	2.2	2.4
Salary increase rate	3.7	3.8
Discount rate	3.5	3.2

NOTE 17: CURRENT ASSETS

31 March 2015		31 March 2016
£'000		£'000
Debtors:		
381	Contributions due - employers	297
79	Transfer values receivable (joiners)	0
25	Sundry debtors	20
1,566	Cash owed to Fund	1,752
2,051		2,069

Analysis of debtors

31 March 2015		31 March 2016
£'000		£'000
1,645	Other local authorities	1,752
4	NHS bodies	4
381	Scheduled/Admitted bodies	208
21	Other entities and individuals	105
2,051		2,069

NOTE 18: CURRENT LIABILITIES

31 March 2015		31 March 2016
£'000		£'000
(355)	Sundry creditors	(167)
(212)	Transfer values payable (leavers)	(430)
(327)	Benefits payable	(166)
(894)		(763)

Analysis of creditors

31 March 2015		31 March 2016
£'000		£'000
(4)	Central government bodies	(15)
(212)	Other local authorities	(431)
(678)	Other entities and individuals	(317)
(894)		(763)

NOTE 19: ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVC contributions of £0.31m were paid directly to the providers during the year (2014/15: £0.36m)

Market value 31 March 2015		Market value 31 March 2016
£'000		£'000
1,208	Prudential Assurance	1,233
812	Clerical Medical	741
266	Equitable Life Assurance Society	237
2,286		2,211

NOTE 20: RELATED PARTY TRANSACTIONS

Harrow Council

The Fund is required under IAS24 to disclose details of material transactions with related parties. The Council is a related party to the Pension Fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out above.

The Pension Fund has operated a separate bank account since April 2011. However, due to the ease of administration and to avoid any undue cost to the Fund some transactions

continue to be processed through the Council's bank account and as such these balances are settled on a monthly basis.

31 March 2015		31 March 2016	
£'000		£'000	
(16,162)	Employer's Pension Contributions to the Fund	(16,351)	
1,061	Administration expenses paid to the Council	853	
1,566	Cash held by the Council	1,752	

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Key management personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)–(4) of The Accounts and Audit (England) Regulations 2011 and Regulation 7A of The Accounts and Audit (Wales) Regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Harrow Pension Fund.

The disclosures required by Regulation 7(2)–(4) of The Accounts and Audit (England) Regulations can be found in the main accounts of Harrow Council.

NOTE 21: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2016 totalled £2.9m (31 March 2015: £4.5m).

These commitments relate to outstanding call payments due on unquoted limited partnership Funds held by Pantheon Ventures in the private equity part of the portfolio.

NOTE 22: CONTINGENT ASSETS

Six admitted body employers in the Fund hold insurance bonds or guarantees to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Harrow Pension Fund, which is in the remainder of this note.

Present value of Promised Retirement Benefits

Present value of Promised Retirement Benefits (£m)	Year ended	
	31 March 2016	31 March 2015
Active members	496	502
Deferred pensioners	169	192
Pensioners	351	388
Total	1,016	1,082

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are suitable for IAS19 purposes as required by the Code of Practice. They are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £96m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 March 2016 % p.a.	31 March 2015 % p.a.
Inflation/pensions increase rate	2.2%	2.4%
Salary increase rate	3.7%	3.8%
Discount rate	3.5%	3.2%

Longevity assumptions

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancies at age 65 (years)	Males	Females
Current pensioners	22.1	24.4
Future pensioners*	24.5	26.9

* Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2013.

Please note that the assumptions are identical to last year's IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10%	102
1 year increase in member life expectancy	3%	30
0.5% increase in salary increase rate	3%	30
0.5% increase in pensions increase rate	7%	70

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-



Gemma Sefton FFA
For and on behalf of Hymans Robertson LLP
9 May 2016

This page is intentionally left blank

REPORT FOR: Pension Board

Date of Meeting: 28 June 2016

Subject: Information Report - Management and Investment Expenses Benchmarking

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Appendix: Investment Benchmarking for Harrow (CEM Benchmarking)

Section 1 – Summary and Recommendation

Summary

The report updates the Board on developments in connection with benchmarking the management and investment expenses of the Fund and invites the Board to consider the benchmarking exercise carried out by CEM Benchmarking.

Section 2 – Report

1. At their meetings on 2 November 2015 and 22 March 2016 the Board considered the details of management and investment and management incurred by the Pension Fund and asked that any benchmarking data that was available regarding other funds be provided to the Board.

2. The Board have been advised that the Council, along with all other administering authorities, prepares its Pension Fund accounts in accordance with the CIPFA Code of Practice and in its accounts identifies relevant costs as “Management Expenses” and “Investment Expenses.” Prior to the 2015-16 Accounts, these expenses were limited to those actually recorded in the authority’s accounts and, crucially, often excluded many of the investment management costs “hidden” within the performance and valuation data of fund managers.
3. The figures included in the accounts are reported to the Department for Communities and Local Government (DCLG) in the statutory SF3 return in the months following the end of each accounting year. Traditionally, this has probably been the only potentially “benchmarking” data which is supplied by all administering authorities every year.
4. The Board are aware of the development of the London Collective Investment Vehicle (CIV) and it has become clear that the Government requires all administering authorities to commit to such a vehicle. In its publication “Local Government Pension Scheme: Investment Reform Criteria and Guidance” dated November 2015 DCLG required all authorities to commit to pooling their investments and they expect detailed plans to be reported to them in July. Specifically they require authorities to provide “a fully transparent assessment of investment costs and fees” for the last three years. This will, and is intended to, require authorities to understand and report on all their investment costs irrespective of whether they are invoiced directly or taken from the investments at source.
5. The Board have previously been advised of CEM Benchmarking (CEM), a company which had offered a free service to all administering authorities to analyse their data in a way that would assist in providing the cost information required by DCLG. At the time of the last Board meeting officers were already inclined to accept this offer but over subsequent weeks it has become clear that every administering authority, not just in London but throughout the whole Country, were likely to be completing the returns hence to do so had become virtually compulsory. The CEM survey was therefore completed and, as a result of discussing the draft returns and a draft report with both CEM and some of the Pension Fund Committee’s advisers the final analysis was received on 7 June 2016 and is attached as the Appendix.
6. Many of the LGPS officers and Members acquainted with the CEM methodology have some misgivings and it is generally accepted that the LGPS Funds have provided information in a format designed primarily for much larger funds most of which are not based in UK. Nevertheless for most funds, including Harrow, the CEM analysis is the best of its type available and it is already having a significant influence on the development of the pooling arrangements. It also includes the “hidden” investment costs which had certainly not been made available for any significant benchmarking.
7. Some of the main conclusions arising from the Harrow review are as follows:

- The Fund's net return in 2014 of 9.4% was below the Global median of 10.9%
- The net value added in 2014 of 0.7% was in the top quartile and well above the Global median of -0.1%
- The Fund's asset risk in 2014 of 11.8% placed it in the top decile and well above the Global median of 9.0%
- The Fund's total investment costs in 2014-15 of 50.8bps were just above the Global median of 49.2bps
- The Fund's total investment costs of 50.8bps were below the benchmark costs of 58.7bps
- Over the last three years the Fund's costs increased from 45.3bps to 50.8bps.

8. The Board is invited to consider this report and its appendix and comment however it sees fit.

Financial Implications

9. Benchmarking of the Fund's most important management and investment expenses is an important way of seeking to measure the efficiency of the Fund's operations but there are no financial implications arising directly from this report.

Risk Management Implications

10. Relevant risks are included in the Pension Fund Risk Register.

Equalities implications

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

Council Priorities

12. The financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert



Director of Finance

Date: 13 June 2016

Ward Councillors notified:

Not applicable

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None

BenchmarkDB

2014/15 Investment Benchmarking Analysis for
Harrow



Introduction

We are pleased to present the 25th edition of the annual CEM Investment Benchmarking Report for defined benefit plans. We greatly appreciate your business and continued support.

In this report you will find a comparison of your fund's investment returns, value added and costs to the Global universe.

We take pride in our data cleaning process. This ensures that the findings of the analysis are reliable, and can help our clients optimize their performance and maximize retirement income of fund participants.

This report compares your costs and performance at different dates:

- Investment performance is for the calendar year to December 2014 (consistent with the universe of funds that supply CEM with data). This report reflects just one year's performance.
- Fund values and asset mix information for LGPS funds are for LGPS financial year ending March 2015. For the wider universe of funds this information is for the year ending December 2014.
- Costs are for the LGPS financial years ending March 2013, 2014 and 2015. For the wider universe of funds, costs are for the year ending December 2014.

This is done to:

- a) Provide accurate performance comparisons against the wider universe of participating funds.
- b) Enable LGPS funds to report costs for their financial year that are:
 - Easier to collect
 - More helpful for LGPS funds to compare, and
 - Aligned with the expectation of DCLG for the purpose of reporting costs between 2013 and 2015.

Copyright ©2016 by CEM Benchmarking Inc. (CEM). Although the information in this report has been based upon and obtained from sources we believe to be reliable, CEM does not guarantee its accuracy or completeness. The information contained herein is proprietary and confidential and may not be disclosed to third parties without the express written mutual consent of both CEM and Harrow.

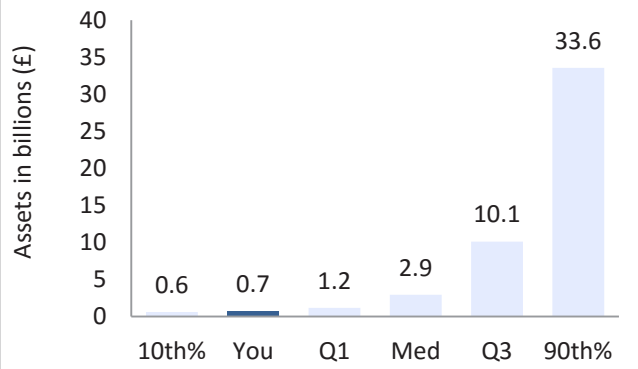
Prepared on June 6, 2016

Table of Contents

Executive summary	4
The benchmarking database	
CEM's global benchmarking database	7
Characteristics of the Global survey universe	8
Returns, value added and risk	
Net returns, policy returns and net value added	10
Policy asset mix	11
Calculation of your policy return and net value added	12
Returns and value added by asset class	13
The correlation between net returns and policy returns	14
Risk analysis	15
Cost and cost effectiveness	
Your 2012/13 investment costs	17
Your 2013/14 investment costs	18
Your 2014/15 investment costs	19
Explanation of changes to your costs	20
Total 2014/15 investment costs	21
Benchmark cost analysis	22
The benchmark cost equation	23
Implementation style	24
Comparison of asset management costs by asset class	25
Comparison of oversight, custodial and other investment costs	26
Cost effectiveness ranking	27
Plan data	
Investment and plan structures	29
Plan liabilities	30
2014 Valuation assumptions	31
Appendices	
Appendix A - Glossary of terms	33
Appendix B - Data quality	34
Appendix C - Your data	35

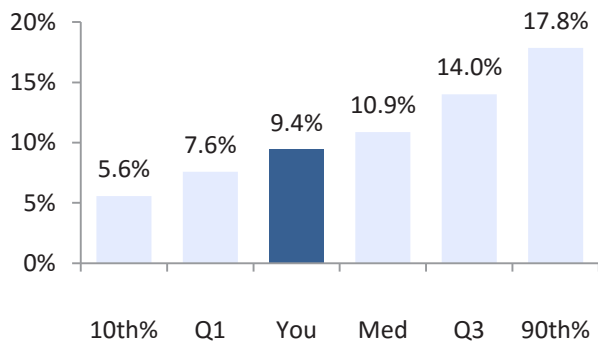
Executive summary

Participating Global funds by assets



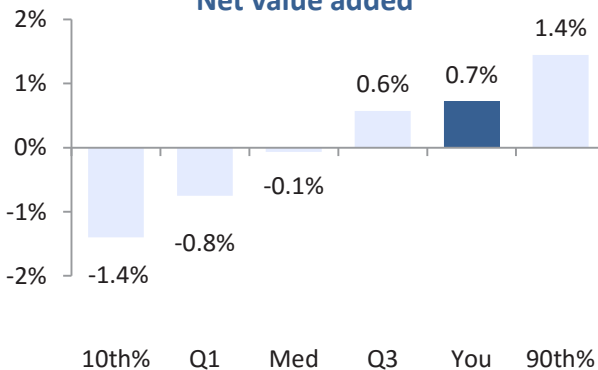
The primary comparisons in this report are to the Global universe. It is comprised of 407 funds with plan size ranging between £35 million and £591.2 billion. The median fund was £2.9 billion which compares to your fund's £667 million.

Net total return



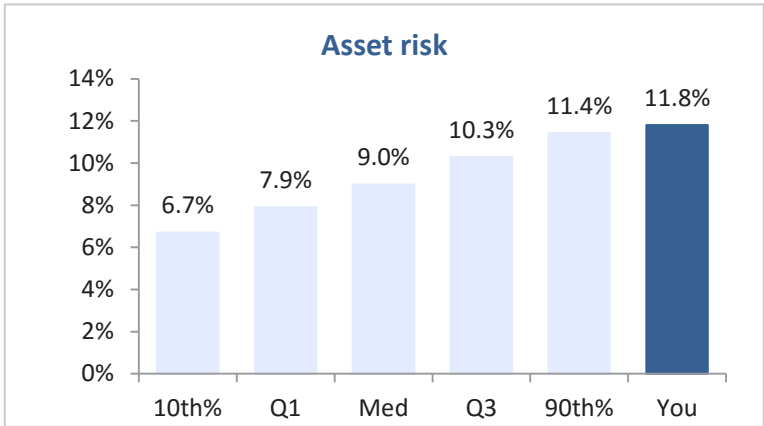
Your fund's 2014 net total return was 9.4%. This was below the Global median of 10.9%.

Net value added



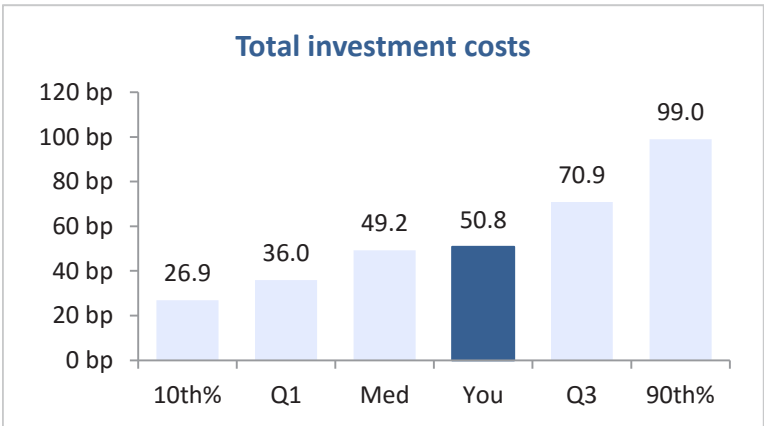
Net value added measures the value produced over what could have been earned by using passive management. It equals net total return minus policy return.

Your 2014 net value added was 0.7%. This was above the Global median of -0.1%.



Your asset risk was 11.8%. This was above the Global median of 9.0%.

Asset risk is the expected standard deviation of your policy return. It is based on the historical variance of, and covariance between, the asset classes in your policy mix.



Your fund's total investment cost in 2014/15 was 50.8 bps. This was above the Global median of 49.2 bps.

Total investment costs used in this analysis exclude transaction costs and private asset performance fees.

Benchmark cost analysis

	£000s	Basis points
Your investment cost	3,176	50.8 bp
less: Your benchmark cost	3,670	58.7 bp
equals: Your cost savings	494	7.9 bp

Differences in total cost are often due to differences in fund size and asset mix. Therefore, to help you assess whether your costs are high or low CEM calculates a benchmark cost for your fund that adjusts for differences in fund size and asset mix.

Your total investment cost of 50.8 bps was below your benchmark cost of 58.7 bps.

Changes to your costs

	£000s	Basis points
Your total investment costs in 2012/13	2,281	45.3 bp
Your total investment costs in 2014/15	3,176	50.8 bp
3-year change	895	5.4 bp

Costs can change because of:

- Changes in the values of assets
- Changes in asset mix
- Changes in how much you pay for similar assets/services

Your cost increased from 45.3 bps in 2012/13 to 50.8 bps in 2014/15.

Benefits of upgrading to peer-based benchmarking

This report is provided free of charge. It provides a limited but helpful comparison with other funds. If you would like more detailed comparisons, a full explanation of your relative cost and a multi-year view then we suggest that you upgrade to our detailed, peer based benchmarking report. The differences between this and the detailed report are explained below:

	Snapshot report	Peer-based benchmarking report
Report size	Approx. 30 pages	Approx. 160 pages
Which funds will we be compared with?	The universe of funds providing CEM with data.	<i>For cost: A peer group of approximately 20 funds similar to you in terms of size.</i> <i>For performance: The universe of funds providing CEM with data.</i>
How does CEM compare us in terms of cost?	We run a regression across the universe of clients giving us data to calculate a benchmark cost – an ‘average cost for a fund of your size and asset mix’. This is designed to be indicative – it isn’t a perfect benchmark comparison.	We calculate a benchmark cost based on the median costs for each asset class amongst your custom peer group applied to your asset mix. This provides a precise basis for comparison.
Does the report explain why we are high or low cost?	No – though some data in the report helps you to form a picture.	Yes – we fully explain, in £ and bps, at an asset class and aggregate level, why you are high or low cost relative to the benchmark.
How does CEM compare us in terms of performance?	One-year analysis comparing you with the universe for: <ul style="list-style-type: none"> · Total Returns. · Policy Returns. · Value added. 	Consistent with the Snapshot report but with multi-year analysis and more detail.
What does the report contain in terms of cost effectiveness?	Cost effectiveness ranking based on the benchmark cost comparison described above and one-year value added.	Cost effectiveness ranking based on the benchmark cost comparison described above and multi-year value added.

For more information contact:

Mr. John Simmonds

Tel. 01732 789604

Email: johns@cembenchmarking.com

or visit our website: www.cembenchmarking.com

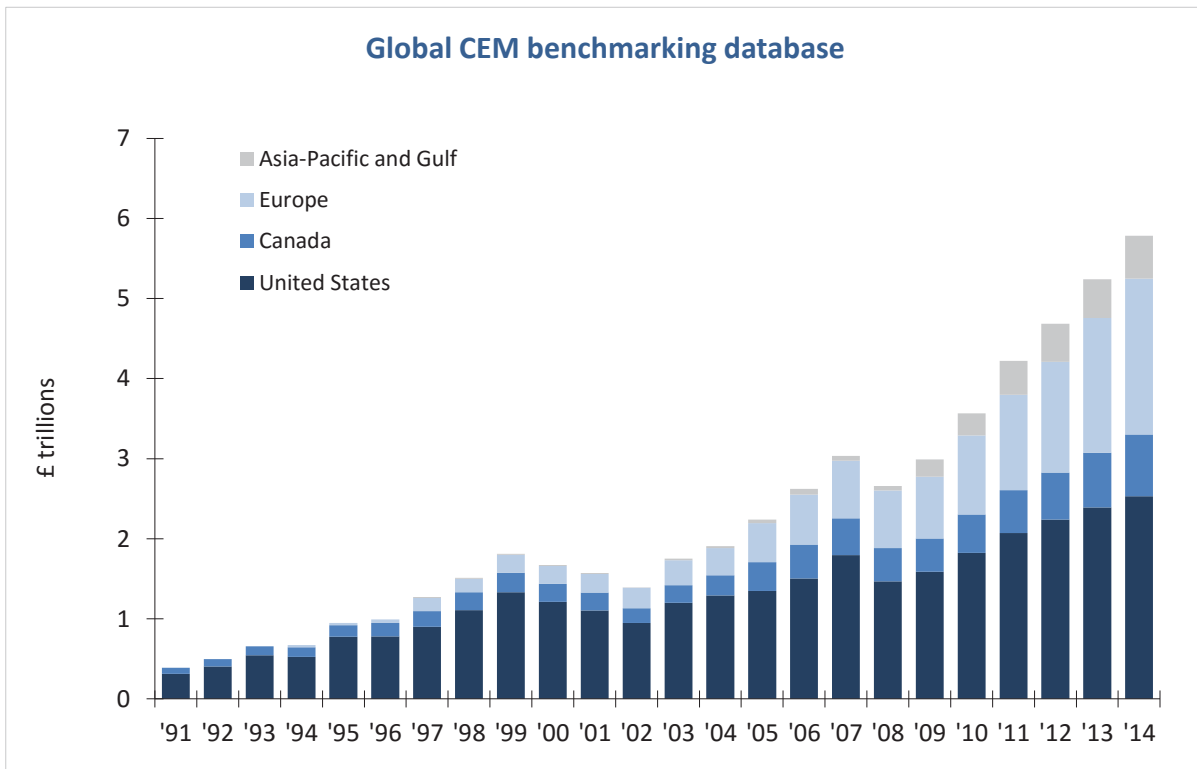
2

The benchmarking database

CEM's global benchmarking database

CEM has been providing cost benchmarking solutions since 1991. The 2014 survey universe is comprised of 407 funds representing £5.8 trillion in assets. The breakdown by region is as follows:

- 173 U.S. pension funds with aggregate assets of £2.5 trillion.
- 87 Canadian pension funds with aggregate assets of £771.8 billion.
- 99 UK pension funds with aggregate assets of £306 billion.
- 40 European pension funds with aggregate assets of £1.6 trillion. Included are funds from the Netherlands, Norway, Sweden, Finland, Denmark and Ireland.
- 8 Asia-Pacific and Gulf region pension funds with aggregate assets of £535 billion.

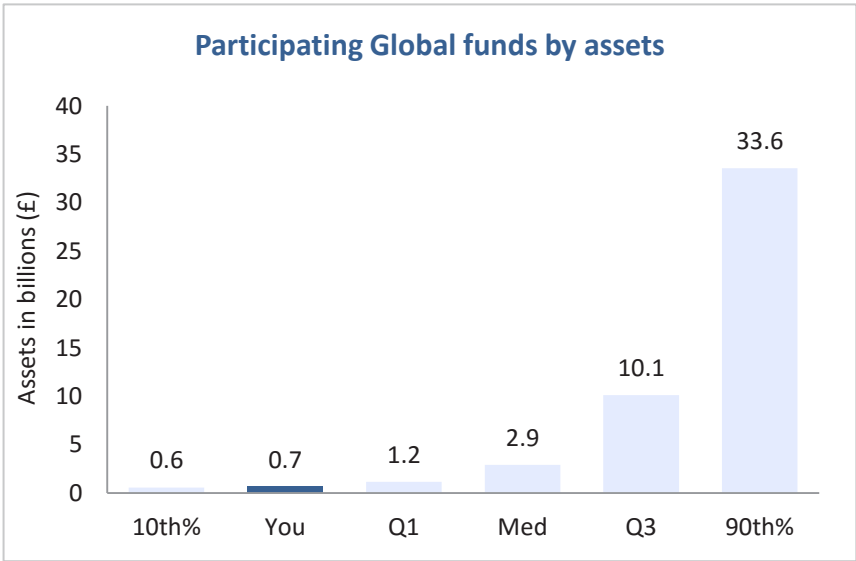


Characteristics of the Global survey universe

In this report, your fund's results are compared to the 2014 Global survey universe.

The Global universe is comprised of 407 pension funds:

- Combined the funds had aggregate assets of £5.8 trillion.
- The funds range in size between £35 million and £591 billion.
- The median size was £2.9 billion (versus your £667 million).
- 52 are other, 161 are corporate and 194 are public funds.
- The median membership was 43,618 members (versus your 17,143 members). The median assets per member was £104,941 (versus your £38,894).



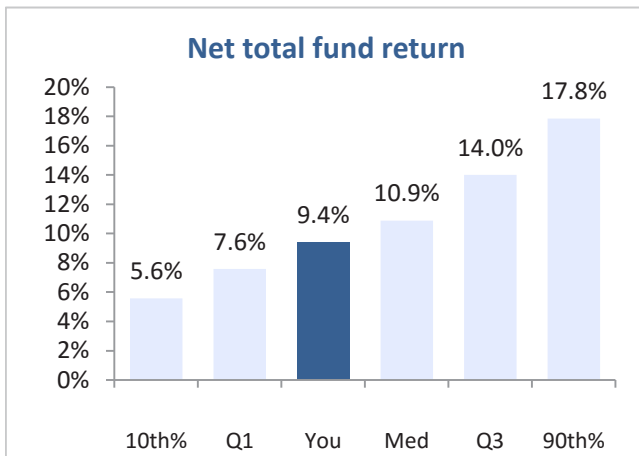
3

Returns, value added and risk

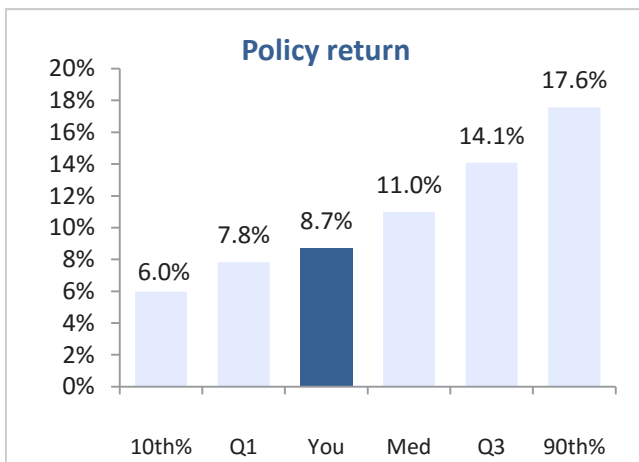
- 10 Net returns, policy returns and net value added
- 11 Policy asset mix
- 12 Calculation of your policy return and net value added
- 13 Returns and value added by asset class
- 14 The correlation between net returns and policy returns
- 15 Risk analysis

The returns highlighted in this section for you and the universe of participants are for the calendar year to December 2014.

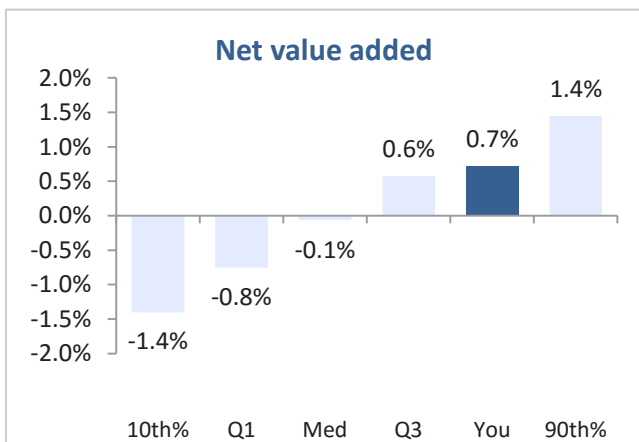
Net returns, policy returns and net value added



Your 2014 net total fund return was 9.4%. This was below the Global median of 10.9%.



Policy return is the return you could have earned passively by indexing your investments according to your policy mix. Your 2014 policy return was 8.7%. This is below the Global median of 11.0%.



Your 2014 net value added was 0.7%. This was above the Global median of -0.1%.

Policy asset mix

Differences in policy return are caused by differences in policy asset mix. Policy asset mix is a fund's long-term asset mix policy or target asset weights. Policy weights are usually established by an investment committee or board and are determined by long-term considerations, such as liability structure, risk tolerance and long-term capital market expectations.

2014 policy asset mix by asset class			
Asset Class	Your Fund ¹	Global Average	LGPS Average ^{1 2}
Stock			
Europe	0.0%	0.7%	0.0%
Europe Small Cap	0.0%	0.0%	0.0%
Japan	0.0%	0.2%	0.7%
Asia-Pacific	0.0%	0.3%	0.4%
Asia-Pacific ex-Japan	0.0%	0.1%	0.6%
UK	0.0%	3.5%	15.8%
EAFE ex-UK	0.0%	0.6%	2.1%
U.S.	0.0%	11.7%	2.8%
EAFE	0.0%	3.6%	0.0%
ACWixU.S.	0.0%	2.7%	0.0%
Emerging	10.0%	2.6%	2.4%
Global	52.0%	14.8%	30.7%
Global Small Cap	0.0%	0.0%	0.0%
Other	0.0%	4.2%	0.4%
Stock - Total	62.0%	45.1%	56.0%
Fixed Income			
Euro	0.0%	0.7%	0.0%
Euro Gov't	0.0%	1.8%	0.0%
Euro Credit	0.0%	0.4%	0.0%
UK	10.0%	1.0%	4.6%
UK Gov't	3.0%	0.4%	1.8%
UK Credit	0.0%	0.4%	1.8%
EAFE ex-UK	0.0%	0.0%	0.1%
US	0.0%	5.8%	0.0%
Long Bonds	0.0%	9.5%	0.0%
Emerging	0.0%	1.0%	0.2%
Global	0.0%	2.2%	5.0%
Global Gov't	0.0%	0.4%	0.2%
Global Credit	0.0%	1.0%	2.1%
Inflation Indexed	0.0%	2.1%	2.5%
High Yield	0.0%	1.2%	0.1%
Mortgages	0.0%	0.2%	0.0%
Private Debt	0.0%	0.4%	0.5%
Other	0.0%	6.4%	1.3%
Cash	0.0%	0.7%	0.5%
Fixed Income - Total	13.0%	35.5%	20.8%
Commodities	0.0%	0.5%	0.3%
Infrastructure	0.0%	1.3%	1.8%
Natural Resources	0.0%	0.3%	0.1%
REITs	0.0%	0.5%	0.5%
Real Estate ex-REITs	10.0%	5.8%	8.2%
Other Real Assets	0.0%	0.3%	0.3%
Hedge Funds	0.0%	3.5%	2.3%
Global TAA	10.0%	2.8%	6.5%
Diversified Private Equity	5.0%	3.6%	2.9%
Venture Capital	0.0%	0.2%	0.3%
LBO	0.0%	0.2%	0.0%
Other Private Equity	0.0%	0.2%	0.1%
Total	100%	100%	100%

1. Your asset mix, and that of the LGPS universe, are as at March 2015.

2. Based on the universe of LGPS funds that provided data at the point the report was produced.

Calculation of your policy return and net value added

Calculation of 2014 policy return and value added for Harrow					
Asset class	Policy weight	Net return ¹	Benchmark description	Benchmark return	Net value added
Stock					
UK		1.2%	Your Stock: UK benchmark	1.2%	0.0%
Emerging	10.0%	-0.7%	MSCI Emerging Market Index	3.9%	-4.6%
Global	52.0%	9.2%	MSCI All World Index (59%) / MSCI World NDR (20%) / MSCI World (Local) TR Net (21%) -(No BM as not full year in Fund)	10.0%	-0.8%
Fixed Income					
UK	10.0%	17.1%	iBoxx Sterling Non Gilt Only 10+ Yr Index	18.0%	-0.9%
UK Gov't	3.0%	21.1%	Your Bonds:UK Gov't benchmark	21.4%	-0.3%
Real Estate ex-REITs	10.0%	16.6%	IPD UK PPF All Balanced Funds	17.2%	-0.6%
Global TAA	10.0%	5.0%	3 Month LIBOR + 4%	4.5%	0.5%
Diversified Private Equity	5.0%	21.7%	Your Diversified or All benchmark	10.8%	10.9%
Total	100.0%				
Net total fund return					9.4%
Policy return					<u>8.7%</u>
Net value added (Net return - policy return)					0.7%

1. If you were unable to provide full year net returns the default is to set the unavailable return equal to the benchmark return.

Your 2014 net value added was 0.7%. This was determined by subtracting your policy return of 8.7% from your net return of 9.4%.

- Policy return is the return a fund would have earned if it had passively implemented its policy mix through its benchmark indices. Your policy return equals the sum of your policy weights multiplied by your benchmarks for each asset class.
- Net value added equals your net return minus your policy return. It primarily reflects the contribution of active management.

Returns and value added by asset class

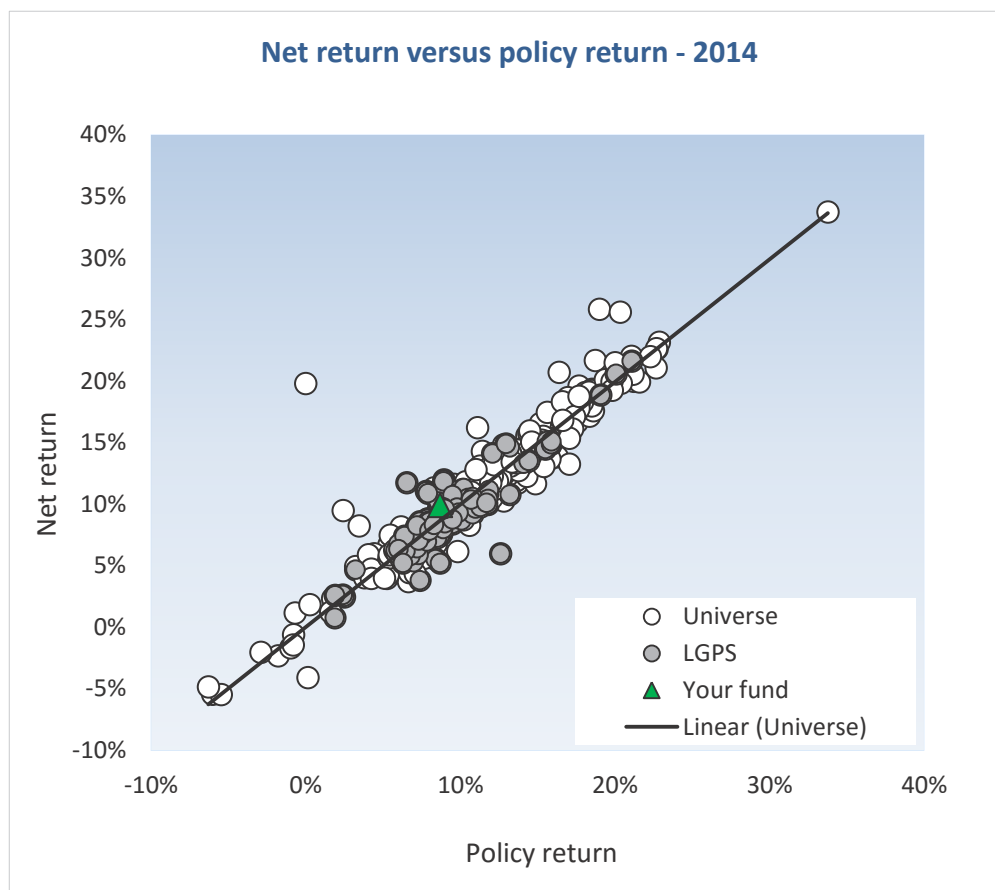
The table below compares your fund's net returns, benchmark returns and net value added by asset class to the Global median and LGPS median.

2014 Returns and net value added by asset class									
Asset class	Your fund			Global median			LGPS Median		
	Net return ¹	Bench- mark return	Net value added ²	Net return	Bench- mark return	Net value added	Net Return	Bench- mark Return	Net Value Added
Stock									
UK	1.2	1.2	0.0	1.3	1.2	0.1	1.3	1.2	0.0
Emerging	-0.7	3.9	-4.6	3.5	3.5	-0.2	4.3	4.3	-0.5
Global	9.2	10.0	-0.8	9.8	10.3	-0.2	10.3	10.7	-0.3
Fixed Income									
UK	17.1	18.0	-0.9	13.9	13.9	-0.1	13.2	13.8	-0.1
UK Gov't	21.1	21.4	-0.3	19.8	19.1	-0.5	19.8	19.1	-0.5
Real Estate ex-REITs	16.6	17.2	-0.6	15.3	17.2	-0.4	14.6	17.2	-2.0
Global TAA	5.0	4.5	0.5	7.6	5.9	0.6	4.6	4.0	0.7
Diversified Private Equity	21.7	10.8	10.9	18.4	14.2	0.5	15.3	8.4	5.7

1. Net return shown on this page equals the asset-weighted average of your internal passive, internal active, external passive and external active actual returns for each asset class.
2. Net value added equals net return minus benchmark return. Net returns are calculated as your reported gross return minus management fees, internal costs and performance fees for public assets.

The correlation between net returns and policy returns

The primary reason for differences in total fund return is usually differences in asset mix policy. But asset mix policy matters more in some years than others. This plot of net return versus policy return demonstrates the extent to which investment policy explained differences in investment returns in 2014.

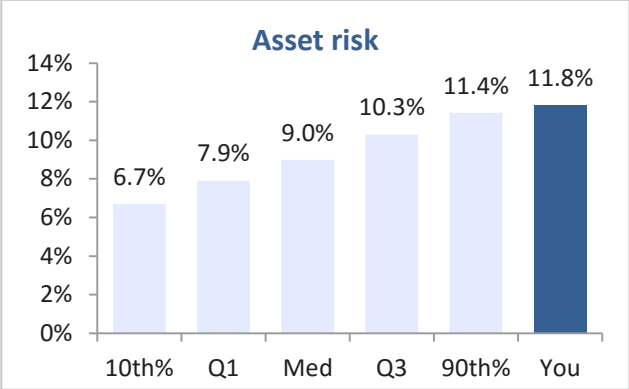


The R^2 of the regression of policy returns versus net returns in 2014 was 89%. This means that, on average, 89% of differences in net return for 2014 can be explained by differences in investment policy.

Generally, in any given year, the greater the difference between stock and bond returns, the more differences in net return can be explained by differences in policy return.

Risk analysis

When assessing returns and value added it is important to also consider investment asset risk.



Asset risk is the expected volatility of your plan's policy returns. Your asset risk was 11.8%, which was above the Global median of 9.0%.

In calculating risk levels, CEM does not use your specific policy benchmarks. Standard asset class proxies are used for each given asset class.

4

Cost and cost effectiveness

- 17 Your 2012/13 investment costs
- 18 Your 2013/14 investment costs
- 19 Your 2014/15 investment costs
- 20 Explanation of changes to your costs
- 21 Total 2014/15 investment costs
- 22 Benchmark cost analysis
- 23 The benchmark cost equation
- 24 Implementation style
- 25 Comparison of asset management costs by asset class
- 26 Comparison of oversight, custodial and other investment costs
- 27 Cost effectiveness ranking

The costs highlighted in this section for you and for other LGPS funds are for the LGPS financial year (i.e., to March 31). The wider universe of funds provides costs for the calendar year to December 2014.

Your 2012/13 investment costs

Your 2012/13 total investment cost was 45.3 basis points. It is comprised of asset management fees and costs plus oversight, custodial and other costs. It excludes transaction costs, private asset performance fees and non-investment pension costs such as actuarial costs and benefit administration.

Your 2012/13 investment management costs in £000s								
Asset Category	Internal & Co-Inv.		External Passive		External Active			Total
	Passive	Active	Fees	Monitoring & Other	Base Fees	Under-lying	Perf. Fees ¹ & Other	
Stock								
UK			61					61
Global					774		13	787
Fixed Income								
UK					99			99
UK Gov't					25			25
Real Estate ex-REITs - Fund of Funds					87	306		393
Diversified Priv. Equity - Fund of Funds					299	250		549
Overlay Programs					20			20
Total asset management cost excluding private asset performance fees								1,934
Your 2012/13 oversight, custodial & other asset related costs* (£000s)								
Oversight of the fund								163
Custodial								9
Consulting and Performance Measurement								134
Audit								21
Other								20
Total oversight, custodial & other asset related costs								347
Total investment cost (excluding private asset performance fees and transaction costs)								2,281
								45.3 bp

¹ Total cost excludes carry/performance fees for infrastructure, natural resources, real estate and private equity. Performance fees are included for the public market asset classes.

* Excludes non-investment costs, such as pension administration.

Your 2013/14 investment costs

Your 2013/14 total investment cost was 49.8 basis points. It is comprised of asset management fees and costs plus oversight, custodial and other costs. It excludes transaction costs, private asset performance fees and non-investment pension costs such as actuarial costs and benefit administration.

Your 2013/14 investment management costs in £000s								Total
Asset Category	Internal & Co-Inv.		External Passive		External Active			
	Passive	Active	Fees	Monitoring & Other	Base Fees	Under-lying	Perf. Fees ¹	Monitoring & Other
Stock								
UK			70					70
Global					769		43	812
Fixed Income								
UK					101			101
UK Gov't					25			25
Real Estate ex-REITs - Fund of Funds					93	326		419
Global TAA					378			378
Diversified Priv. Equity - Fund of Funds					299	250		549
Overlay Programs					20			20
Total asset management cost excluding private asset performance fees								2,374

Your 2013/14 oversight, custodial & other asset related costs* (£000s)	
Oversight of the fund	160
Custodial	9
Consulting and Performance Measurement	187
Audit	21
Other	23
Total oversight, custodial & other asset related costs	400
<hr/>	
Total investment cost (excluding private asset performance fees and transaction costs)	2,774
	49.8 bp

¹ Total cost excludes carry/performance fees for infrastructure, natural resources, real estate and private equity. Performance fees are included for the public market asset classes.

* Excludes non-investment costs, such as pension administration.

Your 2014/15 investment costs

Your 2014/15 total investment cost was 50.8 basis points. It is comprised of asset management fees and costs plus oversight, custodial and other costs. It excludes transaction costs, private asset performance fees and non-investment pension costs such as actuarial costs and benefit administration.

Your 2014/15 investment management costs in £000s								
Asset Category	Internal & Co-Inv.		External Passive		External Active			Total
	Passive	Active	Fees	Monitoring & Other	Base Fees	Under-lying	Perf. Fees ¹ & Other	
Stock								
UK			45					45
Emerging					224			224
Global			48		637		166	851
Fixed Income								
UK					112			112
UK Gov't					28			28
Real Estate ex-REITs - Fund of Funds					92	341	0 ¹	433
Global TAA					428		0	428
Diversified Priv. Equity - Fund of Funds					299	227		526
Overlay Programs					21			21
Total asset management cost excluding private asset performance fees								2,668
Your 2014/15 oversight, custodial & other asset related costs* (£000s)								
Oversight of the fund								238
Custodial								10
Consulting and Performance Measurement								175
Audit								19
Other								66
Total oversight, custodial & other asset related costs								508
Total investment cost (excluding private asset performance fees and transaction costs)								3,176
								50.8 bp

¹ Total cost excludes carry/performance fees for infrastructure, natural resources, real estate and private equity. Performance fees are included for the public market asset classes.

* Excludes non-investment costs, such as pension administration.

Your cost increased from 45.3 bps in 2012/13 to 50.8 bps in 2014/15.

	£ k	Bps	Notes
Investment cost in 2012/13	2,280.7	45.3	
Impact of change in scale	555.9		1
Impact of change in asset mix	474.9	7.6	2
Impact of change in overlays	-3.9	-0.1	
Impact of other changes:			
<i>Implementation Style:</i>			
Less active management	-319.5	-5.1	
<i>What you pay for similar assets / services:</i>			
Public equity			
Lower base fees	-6.7	-0.1	
Higher performance fees	155.7	2.5	
Fixed income			
Lower base fees	-3.3	-0.1	
Real Assets*			
Lower base fees	-38.1	-0.6	
Private Equity			
Higher base fees	4.0	0.1	
Higher oversight costs	76.4	1.2	3
Total	895.3	5.4	
Investment cost in 2014/15	3,176.0	50.8	

* Real assets includes commodities, natural resources, infrastructure, real estate and other real assets.

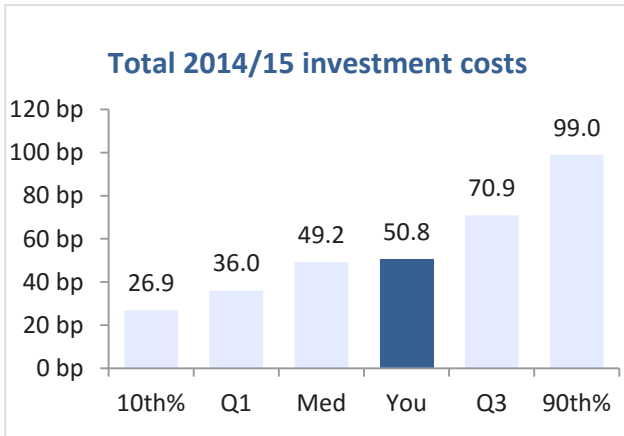
1. Assuming your asset mix, implementation style and how much you pay in bps for similar assets and services remained constant, your costs in £ would have risen in line with assets (by 18%).

2. An increasing allocation towards higher cost assets will push your total cost up (and vice versa).

3. Oversight includes custody, performance measurement, legal and other professional fees and internal oversight costs (e.g., any CIO) that cannot be attributed at an asset class level.

Total 2014/15 investment costs

Your plan's total investment cost, excluding transaction costs and private asset performance fees, was £3,176,000 or 50.8 bps. This was above the Global median of 49.2 bps.



Your total investment cost consists of asset management costs and oversight, custodial and other costs. A breakdown of these costs can be found on page 19.

Total investment cost excludes transaction costs, private asset performance fees and actuarial costs.

Pension administration costs are also excluded.

Comparisons of total investment cost must be interpreted with caution because differences are often due to differences in size and asset mix. Therefore, CEM calculates a benchmark cost for each fund to help them understand whether they are high or low cost after adjusting for differences in size and asset mix. The benchmark cost is determined using regression analysis on all participating funds in the CEM database.

Benchmark cost analysis

Your fund's benchmark cost was 58.7 bps in 2014/15. Your benchmark cost can be thought of as the average cost for a fund with your size, asset mix and country of origin. Your actual total cost of 50.8 bps was below your benchmark cost.

Benchmark cost analysis		(£000)	basis points
	Your fund's benchmark cost	3,670	58.7 bps
<i>less</i>	Your investment cost	3,176	50.8 bps
<i>equals</i>	Your fund's cost savings	494	7.9 bps

The primary reasons why a fund's costs might be high (or low) compared to their benchmark cost are:

- Using a higher (or lower) cost implementation style - For example, passively indexing tends to be lower cost than active management. Similarly, internal management tends to be lower cost than using external managers, which in turn is lower cost than using fund of funds. See page 24 for style comparisons. Differences in implementation style are not taken into account in the benchmark equation, because they are considered to be within the control of sponsors.
- Paying more (or less) than similar size funds for same-style, same-asset-class investment management.
- Paying more (or less) than similar size funds for oversight, custodial and other costs.

CEM determines a benchmark cost using regression analysis on its entire database. The R^2 for the benchmark cost equation was 67%. This means that fund size, asset mix and country of origin explain more than 67% of the differences in investment cost (excluding transaction costs and private asset performance fees) between funds. This is good explanatory power, but not perfect. Your benchmark cost is intended to be used only as an indicator and should not be interpreted too precisely.

The benchmark cost equation

2014/15 Benchmark cost regression		
Variables	Co-efficients	t statistic
Constant	84.4	19.2
Size in US\$ millions (Log 10)	-15.7	-14.6
Stocks (incl. REITs) as % of assets	14.3	3.3
Real estate as % of assets	56.7	3.7
Hedge funds & private equity as % of assets	205.2	27.4
Country variable	-6.9	-4.0
Standard Error	14.5	
R ²	67%	
F statistic	186	
Sample size	449	

CEM determines a benchmark cost for all funds using regression analysis. The 2014/15 regression equation is:

$$\text{Benchmark Cost} = 84.4\text{bp} + (-15.7\text{bp} \times \log \text{ of size}) + (14.3\text{bp} \times \% \text{ stocks}) + (56.7\text{bp} \times \% \text{ real estate}) + (205.2\text{bp} \times \% \text{ hedge funds \& private equity}) + (-6.9\text{bp} \times \text{country variable}) + ((\text{hedge fund assets} \times \text{universe average hedge fund performance fees in bps}) / \text{total average holdings})$$

Using your fund's data:

$$\text{Your } 58.7 \text{ bp Benchmark Cost} = 84.4\text{bp} + (-15.7\text{bp} \times 2.98 \text{ log of size}) + (14.3\text{bp} \times 67.5\% \text{ stocks}) + (56.7\text{bp} \times 7.6\% \text{ real estate}) + (205.2\text{bp} \times 3.4\% \text{ hedge funds \& private equity}) + (-6.9\text{bp} \times 0 \text{ country variable}) + ((0.0 \text{ million hedge funds} \times 100.0 \text{ bps average hedge fund performance fees}) / \text{total average holdings of } 625.7 \text{ million})$$

where:

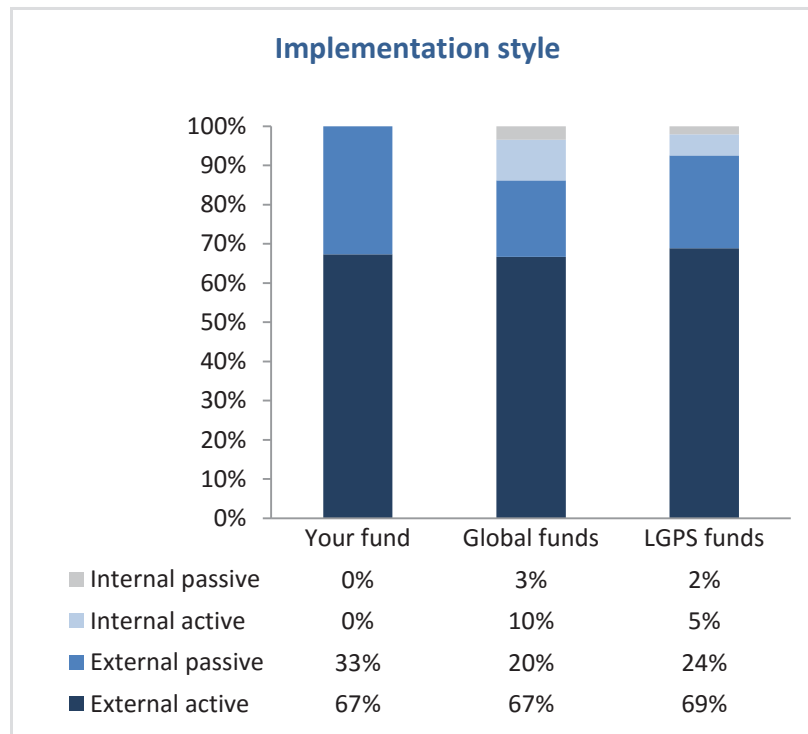
- Size in US\$ millions = Log10 (fund size in US\$ millions).
- % Stocks (incl. REITs) = proportion of actual holdings in stocks plus REITs.
- % Real estate = proportion of actual holdings in direct/pooled real estate (REITs are excluded) and infrastructure.
- % Hedge funds & private equity = proportion of actual holdings in hedge funds, venture capital, LBO and other private equity.
- Country variable = 1 if your fund is Canadian, otherwise 0. (Canadian funds are on average lower cost)

The R² for the benchmark cost equation was 67%. This means that fund size, asset mix and country of origin explain more than 67% of the differences in investment cost (excluding transaction costs and private asset performance fees) between funds. This is good explanatory power, but not perfect. Your benchmark cost is intended to be used only as an indicator and should not be interpreted too precisely.

Implementation style

One reason why funds are high (or low) cost compared to their benchmark cost is differences in implementation style. Implementation style is defined as the way in which you implement your asset allocation. It includes internal, external, active, passive and fund-of-funds styles.

- Internal: managed by in-house investment managers.
- External: managed by outside or external investment managers.
- Passive: managed with the aim of replicating an index, immunising liabilities, etc.
- Active: managed with the intention of outperforming an index.



The greatest cost impact is usually caused by differences in the use of either:

- External active management – External active management tends to be much more expensive than either passive or internal management. Your fund was 67% externally actively managed. This was below the Global average of 67%.
- Fund of funds usage – Fund of funds tend to be the most expensive type of external active management because costs include the management fee of the fund of fund manager plus the management fees to the managers of each of the underlying funds invested in by the fund of fund manager. Your fund used fund of funds for 100% of its hedge funds, real estate and private equity investments. This was more than the Global universe average of 31%.

The benchmark cost analysis does not adjust for the cost impact of implementation style because this is considered to be a choice within your control.

Comparison of asset management costs by asset class

Comparisons of your costs to the universe must be interpreted with caution, given the breadth of the universe, which encompasses funds with widely varying size and asset mix. Peer-based analysis is needed to truly understand where you are paying more and where you are paying less on a comparable basis. See page 6.

2014/15 Asset management costs in basis points																	
Asset class	Your fund 2014/15					Global median 2014					LGPS Median 2014/15						
	Internal		External		LP	FoF ¹	Internal		External		LP	FoF ¹	Internal		External		
	Passive	Active	Passive	Active			Passive	Active	Passive	Active			Passive	Active	Passive	Active	
Stock																	
Europe						5.6	6.2	11.8	37.9								
Europe Small Cap							9.5	25.5	60.3								
Japan							2.1	8.6	36.0				2.1	8.6	36.0		
Asia-Pacific						7.6	12.5	11.8	48.2			2.6		7.5	43.6		
Asia-Pacific ex-Japan							1.9	10.8	40.8				1.9	11.5	40.8		
UK			3.5			2.6	3.0	4.5	42.6			2.5	2.5	4.5	38.4		
EAFE ex-UK						2.7	5.1	9.9	25.1			2.5	2.1	9.7	24.4		
U.S.						1.1	8.6	3.2	46.5			2.4	1.6	7.9	22.0		
EAFE						4.7	7.7	5.0	50.2								
ACWixU.S.						10.8	1.5	6.1	48.8								
Emerging				73.4		4.6	11.1	15.8	72.4				1.9	20.6	72.2		
Global			4.4	41.8		6.5	10.3	7.9	47.4			0.8		9.3	42.8		
Global Small Cap									31.1						17.8		
Other						2.1	10.7	4.3	28.9				3.2	7.7	64.6		
Fixed Income																	
Euro						2.1	3.9	3.6	23.9								
Euro Gov't						5.9	3.7	14.0	7.2								
Euro Credit							5.7	9.9	24.4								
Asia-Pacific						0.7	6.4										
UK				17.7		1.2	3.6	6.0	19.5				2.0	5.5	19.4		
UK Gov't				17.7			2.9	5.5	17.5				2.9	5.5	17.5		
UK Credit							3.8	8.4	14.5				3.8	8.4	14.5		
EAFE ex-UK									30.6						30.6		
Long Bonds						0.6	3.9	4.1	18.8								
EAFE							3.7		28.3								
Emerging						11.0	6.3	16.1	53.1				29.1	14.4	42.1		
Global						6.6	1.9	5.8	31.3				4.0	7.0	33.6		
Global Gov't						6.3	2.7	6.8	18.0					6.8	19.6		
Global Credit							3.2	6.5	31.9					6.5	30.0		
Inflation Indexed						1.2	2.7	4.3	16.7				2.3	3.7	29.3		
High Yield						17.2	6.8	27.5	50.0				13.1		211.1		
Mortgages						4.8	11.6	8.4	39.9								
Private Debt							29.2		80.9				3.2		64.0		
Other						0.9	3.7	5.0	20.2				1.6	19.9	28.8		
Commodities						3.8	4.9	35.1	65.1						97.9		
Infrastructure ²							25.5		95.0	133.5	213.3				103.7	122.0	223.6
Natural Resources ²							22.6		95.7	116.0	167.4				98.3	149.2	
REITs						1.8	5.4	12.0	51.6						65.2		
Real Estate ex-REITs ²					90.6		22.4		74.8	119.1	132.9		20.0		63.7	120.0	119.1
Other Real Assets ²							50.0		95.4				1.8		136.1		
Hedge Funds Total*									255.0		318.1				215.7		336.1
• Base fees top layer									155.0		71.9				134.5		93.1
• Perf. fees top layer									81.3		20.0				43.4		20.0
• Underlying base & perf				n/a					n/a		225.0				n/a		225.0
Global TAA				75.1			19.5		59.5						59.1		
Diversified Private Equity ²					221.0		20.4		165.0		247.9		3.1		165.7		248.8
Venture Capital ²							127.5		200.0		267.7				218.1		283.8
LBO ²							69.2		165.0		241.7				174.1		
Other Private Equity ²							3.7		138.2						147.4		
Total before overlays						42.3					44.5						47.2
Overlay management costs (as a % of total assets)						0.3					0.0						0.0
Total direct investment management cost						42.6					44.5						47.2

1. FoF stands for Fund-of-Funds. Fund of funds costs include management fees paid to the fund of funds manager plus fees paid to the managers of each of the underlying funds selected by the fund of funds manager.

2. External performance fees are excluded from private asset costs. Costs are as a percentage of the amount fees are based on; usually the committed amount during the commitment period, and unreturned invested capital afterwards.

* Medians will not add to the total because the median fund is not the same for each part, and the internal cost of oversight and selection is not shown.

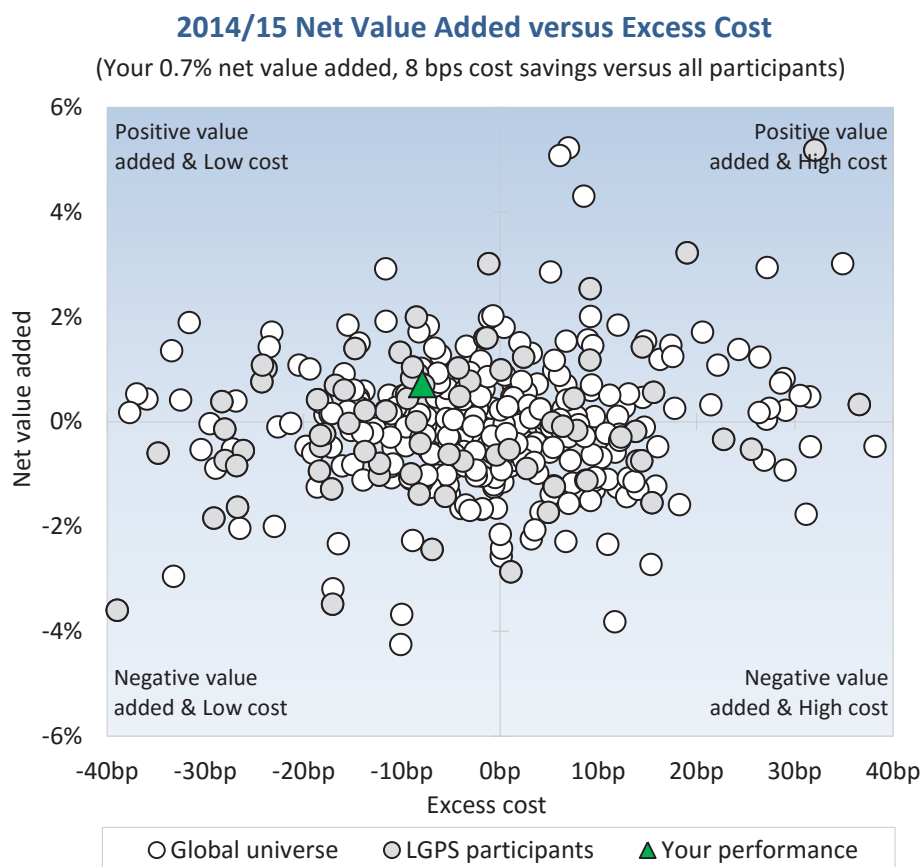
Comparison of oversight, custodial and other investment costs

Oversight, custodial and other costs	You	Global median	LGPS Median
Oversight	3.8 bps	1.6 bps	1.3 bps
Custodial	0.2 bps	0.8 bps	0.5 bps
Consulting, performance measurement	2.8 bps	0.5 bps	0.6 bps
Audit	0.3 bps	0.1 bps	0.2 bps
Other	1.1 bps	0.2 bps	0.2 bps
Total	8.1 bps	4.0 bps	3.3 bps

Cost effectiveness ranking

Being high or low cost is neither good nor bad. The more important question is, are you receiving sufficient value for your excess cost? At the total fund level, we provide insight into this question by combining your value added and your excess cost to create a snapshot of your 2014/15 cost effectiveness performance relative to that of the survey universe.

In an ideal world, the more you pay (i.e., the higher your excess cost) the more you would get (i.e., the higher your value added). If this were true, you would see an upward sloping trend in the scatter chart below. Clearly, this is not the case. Our research over the past 25 years shows no consistent relationship between excess costs and the net value added they achieve.



5

Plan data

- 29 Investment and plan structures
- 30 Plan liabilities
- 31 2014 Valuation assumptions

Investment and plan structures

Performance-based fees

Were any of your stock, bond or TAA external managers subject to performance-based fee arrangements in 2014?

	# of funds with data	% Yes	% No
Your fund	1	-	No
Global	407	47%	53%

Type of plans

What type of plan(s) do you have?

	# funds with data	Types of plans			Other (or multiple)
		Flat benefit	Career average	Final average	
Your fund	1	-	Yes	-	-
Global	367	3%	17%	72%	7%

Plan liabilities

Indexation of retired members' benefits

To what extent are your retired members' benefits indexed to inflation?

	Average contractual ¹ indexation as % of CPI	% of Funds with contr. indexation > 0 where indexation is subject to a cap
Your fund	100%	-
Global	43%	55%

1. Several funds had contractual inflation protection subject to caps (ranging from 2% to 8%). Most of these funds have had close to 100% inflation protection during the last 5 years of low inflation and this is how we have recorded their inflation protection. However, in high inflation environments, we will have grossly overestimated their true inflation protection.

Plan membership

How many plan members/beneficiaries do you have?

	# of Funds with data	Average # members	% Active	% Retired	% Other	Avg Assets per Member
Your fund	1	17,143	32%	31%	37%	38,894
Global	362	148,266	38%	39%	24%	148,569

Actuarial fees

What were your 2014 actuarial fees in £000s?

	# of Funds with data	Average Fees (£000s)	% of Total assets
Your fund	0		
Global	358	467	1.4bp

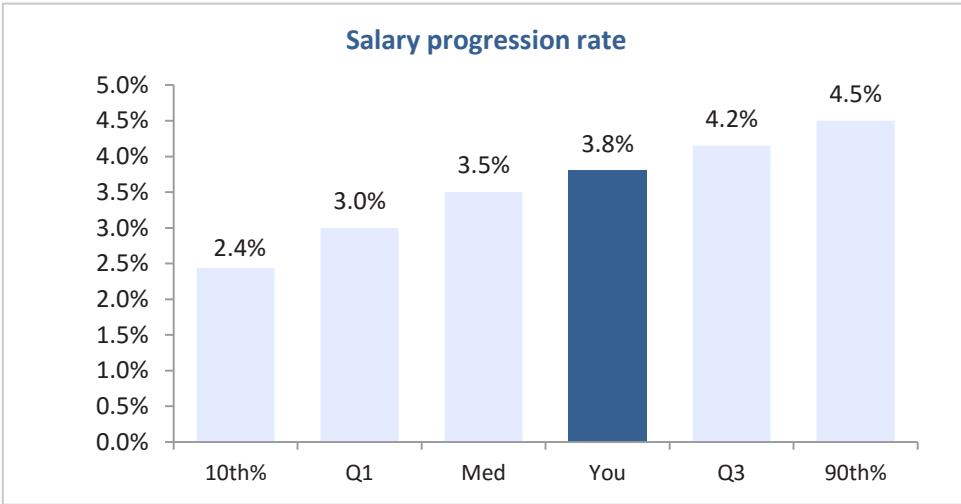
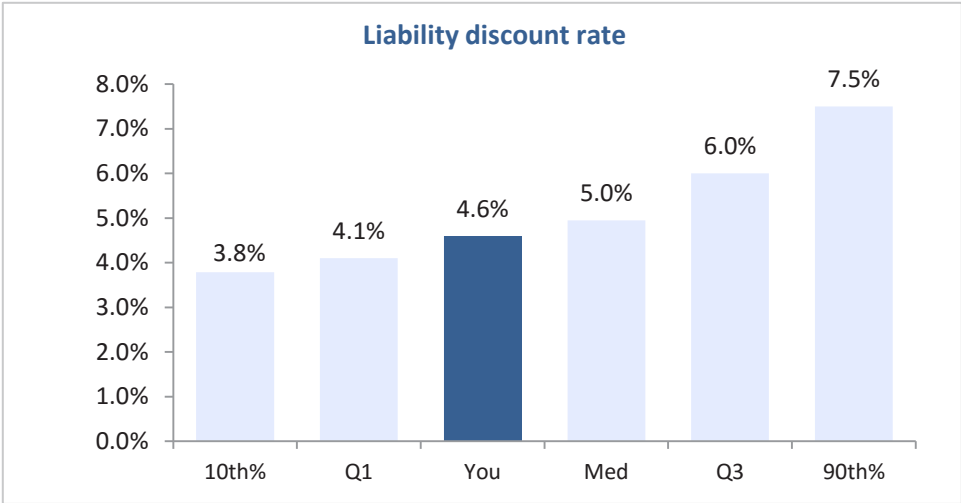
Other plan data - Plan liabilities

What % of the plan's liabilities are in respect to retired members?

	# of Funds with data	% Plan liabilities for retired members
Your fund	1	46.0%
Global	292	48.7%

2014 Valuation assumptions

Actuarial assumptions for funding purposes during 2014.



6

Appendices

- 33 Appendix A - Glossary of terms
- 34 Appendix B - Data quality
- 35 Appendix C - Your data

Appendix A - Glossary of terms

Average - All averages are fund weighted (i.e., each fund is given equal weight, regardless of size).

Benchmark cost - Can be thought of as the predicted operating cost for a fund given its size, asset mix and country of origin. It is calculated using the cost function, which is determined from the survey database using regression analysis.

Benchmark return - Rate of return on an index of investable assets (such as the S&P500) designated as the benchmark portfolio against which the fund measures its own performance for that asset class.

Category benchmarks - Policy-weighted average of passive and active benchmarks given for each asset class.

Direct investment management costs -

a) For externally managed assets, it is the sum of all investment management fees, participation fees, commitment and carrying fees and should include all hidden fees netted from commingled asset pools.

b) For internally managed assets, it is the costs directly traceable to internally managed investments and should include: compensation and benefits of investment employees and support staff, related overhead (office rent, telephone, computer systems, etc.) and associated costs (conference, research, travel, subscriptions and memberships, etc.).

Excess cost - Difference between actual cost and benchmark cost.

F statistic - Measure of the statistical significance of the regression coefficients taken as a group. Generally, a regression equation with 5 coefficients and sample size greater than 20 is statistically significant if its F-statistic is greater than 3.

Oversight, custodial and other costs, the sum of:

a) Oversight costs which are (i) the salaries and benefits of executives and their assistants and clerical staff, carrying out duties directly associated with the oversight of plan assets, (ii) fees/salaries of Board of Trustees or Investment Committee based on the amount of time spent in this capacity, and (iii) office overhead (rent, utilities, telephone, office, computer systems, etc.) and associated costs (travel, subscriptions, memberships, etc.) all of which should be allocated on a pro rata governance and administration.

b) Custodial costs before any reductions relating to securities lending. Note that custodial costs for preparing benefit checks or relating to other asset pools should not be included.

c) Consulting and performance.

d) Audit and other measurements costs.

Operating costs - Sum of overlay, direct investment management and oversight, custodial and other costs.

Overlay - Derivative-based program, that is unfunded other than margin requirements.

Passive - Assets managed passively, i.e., indexed to broad capital market benchmarks or dedicated to matching a specific set of liabilities.

Policy mix - Reflects long term policy or target asset weights. Policy mix is often established by an investment committee or board and is determined by such long-term considerations as liability structure, risk tolerance and long-term capital markets prospects. If asset mix policy is expressed in ranges, our default is the midpoint of those ranges.

Policy return - The return a fund would have earned if it had passively implemented its policy mix through its benchmark indices. Policy return equals the sum of policy weights multiplied by benchmarks for each asset class.

R² (Coefficient of determination) - The percentage of the differences in the dependent variable explained by the regression equation. For example, an R² of 1 means 100% of the differences are explained and an R² of 0 means that none of the differences are explained.

Value Added - Difference between actual return and policy return.

Appendix B - Data quality

We recognize that the value of the information contained in these reports is only as good as the quality of the data we receive. Our procedures for checking and improving the data include:

- **Constant improvement in survey clarity** - Years of feedback from survey participants has led to improved definitions and survey clarity.
- **Client confirmation** - A five-page summary of each respondent's data as it appears in our database was sent to all survey participants for confirmation prior to preparing this report. Your data is summarized in Appendix C (which begins on the following page).
- **Automated & manual checks** - We compare responses to norms for the survey universe and to each sponsor's prior year data when available. This typically results in questions that we email back to each survey respondent and follow up on by phone.

In addition, the quality of our data continues to improve as the universe of participants grows. Our confidence in the results improves with universe size as unbiased errors tend to average themselves out.

Appendix C - Your data

Your data is summarized on the following pages. As discussed with you or the person who provided the data for your fund during the data confirmation process, there may be changes to your original survey responses for the following reasons:

- 1. Gross versus net returns** - Participants report returns on either a net or gross basis. In order to ensure apples-to-apples comparisons, we grossed up net returns as follows:

Gross return = Net return + Netted costs /Holdings.

- 2. Returns not available** - We requested that you enter N/A if full year returns for an asset class were unavailable. The default for an unavailable return is to set it equal to your benchmark return for the same asset class, thereby effectively neutralizing that asset class when determining your in-category value added.

- 3. Costs not given** - The costs of non-traditional assets and real estate are often buried in commingled funds and may not be worth the effort to obtain if their asset value is immaterial relative to your total fund. Therefore, if you report assets but do not report costs/fees we impute a figure using industry data. See the last page of Appendix C for any defaults used for your fund.

Appendix C - Your Data

Harrow

Plan info	2014	2013	2012
Contact	Shelley Jones	Shelley Jones	Shelley Jones
Type of fund (corporate, public, other)	Public	Public	Public
Total fund size (Millions)	666.8	584.7	528.7
Are assets provided year end or average?	Year End	Year End	Year End
Total return for year ended	9.50%	16.20%	10.70%
Is the return net or gross?	Net of manager fees	Net of manager fees	Net of manager fees
If net, what do you normally deduct?			
Total fund policy or benchmark return	8.70%	17.00%	11.00%
Ancillary data	2014	2013	2012
What is your hedging policy for:			
Foreign non-U.S. Holdings?	50%	50%	50%
U.S. Holdings?	50%	50%	50%
Were your stock/bond/TAA managers under performance-based fees?	No	Yes	Yes
What were your actuarial fees in 000s?			
How many plan members/beneficiaries do you have:			
Active?	5,526	5,582	5,562
Active - not accruing benefits?			
Retired?	5,294	5,087	4,873
Other?	6,323	6,023	5,569
What type of plans do you have?	Career Average	Final Average	Final Average
To what extent are your retired members' benefits indexed to inflation?			
Contractual %	100	100	100
Ad hoc %			
If the indexation is subject to a cap, describe the cap			
What % of the plan's liabilities pertain to retired members?	46	47	47
Actuarial valuation assumptions for funding purposes:			
Liability discount rate	4.6	6.1	6.1
Salary progression rate	3.8	4.8	4.8
What was your actuarial assumption for expected rate of return?	4.6	6.1	6.1

Appendix C - Your data: Policy weights and benchmarks

Harrow

Asset class	Year	Policy weight	Benchmark description	Return
Stock - UK	2014		Your Stock: UK benchmark	1.2
	2013	26.0	Your Stock: UK benchmark	20.8
	2012	27.0	Your Stock: UK benchmark	12.3
Stock - Emerging	2014	10.0	MSCI Emerging Market Index	3.9
	2013			
	2012			
Stock - Global	2014	52.0	MSCI All World Index (59%) / MSCI World NDR (20%) / MSCI World (Local) TR Net (21%) -(No BM as not full year in Fund)	10.0
	2013	36.0	MSCI All Countries World Index GDR (79% of BM 21.1%) & MSCI World (Local) TR Net (21% of BM 28.9%)	22.8
	2012	47.0	MSCI All Countries World Index GDR (85% @ BM of 11.7%) MSCI World (Local) TR Net (15% @ BM 15.7%)	12.3
Fixed Income - UK	2014	10.0	iBoxx Sterling Non Gilt Only 10+ Yr Index	18.0
	2013	10.0	iBoxx Sterling Non-Gilts Over 10 Year	-0.6
	2012	10.4	iBoxx Sterling Non-Gilts Over 10 Year	14.5
Fixed Income - UK Gov't	2014	3.0	Your Bonds:UK Gov't benchmark	21.4
	2013	3.0	Your Bonds:UK Gov't benchmark	0.6
	2012	2.6	Your Bonds:UK Gov't benchmark	0.5
Global TAA	2014	10.0	3 Month LIBOR + 4%	4.5
	2013	10.0	3 Month LIBOR + 4%	14.9
	2012			
Real Estate ex-REITs	2014	10.0	IPD UK PPF All Balanced Funds	17.2
	2013	10.0	IPD UK PPF All Balanced Funds	9.1
	2012	10.0	IPD UK PPF All Balanced Funds	1.0
Diversified Private Equity	2014	5.0	Your Diversified or All benchmark	10.8
	2013	5.0	GBP 7 Day Libid	0.4
	2012	3.0	GBP 7 Day Libid	0.4

Appendix C - Your Data: Assets, Returns and Costs

Harrow

Asset class		Assets (millions)					Fees/Costs in 000s									
		Externally managed Indexed			Externally managed Active		Externally managed Indexed			Externally managed Active						
		Assets	Assets	Return	Assets	Return	# of mgrs	Fees	Over- sight	Total 000s	bps ¹	Base Fees	Perform Fees	Internal & Other	Total 000s	bps ¹
Stock - UK	2014	0.0		n/a				45.0		45.0	3.5					
	2013	155.5		20.9		1		70.0		70.0	4.7					
	2012	142.6		12.4		1		61.0		61.0	4.5					
Stock - Emerging	2014				76.5	1						224.0			224.0	73.4
	2013															
	2012															
Stock - Global	2014	220.6		6.2	152.8	11.4	3	48.0		48.0	4.4	637.0	166.0		803.0	41.8
	2013				231.8	23.0	3					769.0	42.6		811.6	33.8
	2012				248.1	11.9	3					774.0	12.7		786.7	33.3
Fixed Income - UK	2014				69.3	17.3	1					112.0			112.0	17.7
	2013				57.6	-0.5	1					101.0			101.0	17.6
	2012				57.5	16.5	1					99.0			99.0	18.1
Fixed Income - UK Gov't	2014				17.1	21.3	1					28.0			28.0	17.7
	2013				14.5	0.9	1					25.0			25.0	17.3
	2012				14.5	1.2	1					25.0			25.0	18.1
Global TAA	2014				59.5	5.8	2					428.0			428.0	75.1
	2013				54.5	n/a	2					378.0			378.0	105.0
	2012															

1. Cost in basis points = total cost / average of beginning and end of year holdings

Appendix C - Your Data: Private Market Assets, Returns and Costs

Harrow

Asset class		Annual				Assets (millions) and annual gross returns				# Ext Mgrs	Investment fees and costs in 000s ¹												
		Internal		Co-Investment		External		Fund of Funds			Internal & Co-Inv			External			Fund of Funds						
		Assets	Return	Assets	Return	Amt fees based on	Assets	Return	Amt fees based on		Assets	Return	Total 000s	bps	Base fees	Perf. fees	Internal & other	Total ¹ 000s	bps (% of fee basis)	Underlying ² Fees	Base Fees	Perf. Fees	Internal & Other
Real Estate ex-REITs	2014	<u>Direct</u>						50.6	50.6	17.5	1							341.0	92.0			433.0	90.6
	2013							45.1	45.1	10.7	1							326.0	93.0			419.0	96.4
	2012							41.9	41.9	3.5	1							306.0	87.0			393.0	98.5
Diversified Private Equity	2014							23.0	23.0	21.7	1	<u>Oversight</u>						227.0	299.0			526.0	221.0
	2013							24.6	24.6	10.9	1							250.0	299.0			549.0	215.5
	2012							26.3	26.3	3.3	1							250.0	299.0			549.0	219.3

1. Cost in basis points = total cost / average of beginning and end of year holdings. Total cost excludes private asset performance fees because of comparability issues.
2. Default for fees paid to underlying partnerships have been applied.

Appendix C - Your Data: Oversight, custodial and other costs

Harrow

Oversight, custodial and other costs			
		000s	bps
Oversight of the fund assets ¹	2014	238.0	3.8bp
	2013	160.0	2.9bp
	2012	163.0	3.2bp
Custodial total	2014	10.0	0.2bp
	2013	9.0	0.2bp
	2012	9.0	0.2bp
Consulting / performance measurement	2014	175.0	2.8bp
	2013	187.0	3.4bp
	2012	134.0	2.7bp
Audit	2014	19.0	0.3bp
	2013	21.0	0.4bp
	2012	21.0	0.4bp
Other (legal etc)	2014	66.0	1.1bp
	2013	23.0	0.4bp
	2012	20.0	0.4bp
Total	2014	508.0	8.1bp
	2013	400.0	7.2bp
	2012	347.0	6.9bp

1. Oversight includes the salaries and benefits of executives and their staff responsible for overseeing the entire fund or multiple asset classes and the fees / salaries of the board or investment committee. All costs associated with the above including fees / salaries, travel, director's insurance and attributed overhead should be included.

Summary of total investment costs ²			
		000s	bps
Investment management costs	2014	2,647.0	42.3bp
	2013	2,353.6	42.3bp
	2012	1,913.7	38.0bp
Overlay costs	2014	21.0	0.3bp
	2013	20.0	0.4bp
	2012	20.0	0.4bp
Oversight, custodial & other costs	2014	508.0	8.1bp
	2013	400.0	7.2bp
	2012	347.0	6.9bp
Total	2014	3,176.0	50.8bp
	2013	2,773.6	49.8bp
	2012	2,280.7	45.3bp

2. Total investment cost excludes transaction costs and performance fees for private assets.

Appendix C - Your data: Overlays

Harrow

Overlays		Internal					External									
		Market value (mils)	Notional amount (mils)	Profit/Loss (000s)	Cost (000s)	% of Notion. (bps)	Duration (years)	Market value (mils)	Notional amount (mils)	Profit/Loss (000s)	Base fees (000s)	Perf. fees (000s)	Over-sight (000s)	Total (000s)	% of Notion. (bps)	Duration (years)
Currency Hedge	2014							-2.6	179.5		21.0				21.0	1.2
	2013							1.1	105.0		20.0				20.0	1.9
	2012							-2.3	111.6		20.0				20.0	1.8

REPORT FOR: Pension Board

Date of Meeting: 28 June 2016

Subject: Information Report - Pension Fund
Committee Meeting 9 March 2016

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: None

Section 1 – Summary and Recommendation

Summary

The report sets out the matters considered by the Pension Fund Committee at its meeting on 9 March 2016 and invites the Board to agree any comments it might wish to make to the Committee.

Section 2 – Report

1. Matters considered by the Pension Fund Committee at its meeting on 9 March 2016 were as follows.

2. Actuarial Valuation 2016

The Committee received a report of the Director of Finance advising Members of the statutory requirement for the triennial valuation of the Pension Fund to be conducted during 2016, which included a presentation from the Actuary, Hymans Robertson LLP. The Committee noted the presentation and received the valuation timetable.

On 22 March 2016 the Board received an almost identical report and, as requested by the Pension Board Chair, the same presentation from Hymans Robertson LLP. The Board Chair requested that the reporting lines to the Board be included in the timetable and a report to each meeting of the Board is now included.

Members noted that consultation on the valuation with employers such as schools and academies would commence in October 2016. Arrangements are now being made for this to start in September 2016.

It was agreed that, in consultation with the Actuary and as part of the valuation process, the Investment Adviser would provide a regular update on the Fund's current investment strategy including the expected return and risk profile.

3. External Audit Plan 2015-16

The Committee received a report on the external Audit Plan for 2015-16, which had been presented by KPMG, the Council's external auditors, to the Governance, Audit, Risk Management and Standards Committee on 28 January 2016.

4. Local Government Pension Scheme: Revoking and Replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

The Committee received a report of the Director of Finance, setting out the Department for Communities and Local Government's consultation document entitled "Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009" and the Council's response.

5. Pooling Criteria and Guidance and London Pensions Collective Investment Vehicle (CIV)

The Committee received a report of the Director of Finance, which set out the current position with regard to the development of the Local Government Pension Scheme pooling arrangements and the setting up of a small group to assist officers in the development of proposals over the next three months. It was noted that the group currently comprised Colin Robertson, Independent Adviser, and Colin Cartwright, Aon Hewitt. The Chair stated that he would attend the last couple of meetings of the group. Other members of the Committee were welcome to attend and they should contact the Treasury and Pension Fund Manager in the first instance.

It was noted that the group would discuss how investment costs were handled and this would involve varying degrees of calculations. Members were informed that an organisation, CEM Benchmarking, had taken a high profile role in this regard and they were prepared to produce a customised report for each administering authority free of charge. It was also noted that the Council was working with the CIV on this matter and that there were a number of conferences taking place on investments including "Infrastructure" which the Council ought to keep abreast of.

The Committee was informed that the CIV had gone "live" and that, over time, it would increase the funds available. Members of the Committee made the following comments:

- the CIV needed to be included on the agenda at every meeting;
- funds for investing in the CIV needed to be identified;
- the Committee needed to understand why it was investing in the CIV

6. Annual Review of Internal Controls at Fund Managers

The Committee received a report of the Director of Finance, which set out in summary the contents of the latest internal controls reports of each of the fund managers. The Committee have the power to dismiss fund managers if their internal controls are considered to be poor.

The Investment Adviser reported that all fund managers were monitored on a regular basis and that "flash" reports would be issued if required. An officer reminded the Committee that any action required could be taken quickly but that immediate reaction could be counterproductive and a measured approach was always taken.

7. Environmental, Social and Governance Issues in Pension Fund Investment

An officer introduced the report, which set out the responses received from fund managers in relation to the Committee's consideration at their last meeting of Environmental, Social and Governance Issues. The officer was of the view that the responses provided a basis for further engagement to discuss issues arising.

The Committee noted that both the GMO and Pantheon Ventures had not signed up to the principles contained within the UK Stewardship Code. Members asked if this was based on philosophical reasons and discussed the type of response that ought to be sent to the fund managers. They asked if there were any associated risks for the Pension Fund as governance and good management were of fundamental importance to the Committee as the custodian of the Pension Fund.

Members noted that the response from Standard Life was exemplary but expressed concern with the responses provided by Aviva and GMO. Moreover, GMO's response was considered to be weak and the Committee was of the view that immediate further engagement was required in relation to the Investment Principles.

It was also agreed that the Pension Board needed to discuss the Environmental, Social and Governance Issues in Pension Fund Investment.

It was resolved that:

- the Director of Finance write to GMO in relation to the Investment Principles;
- the Environmental, Social and Governance Issues in Pension Fund investment be included on the agenda for the next Pension Board meeting.

8. Work Programme for 2016-17

The Committee received a report of the Director of Finance, which set out the draft work programme for 2016-17 and, subject to some amendments, agreed it.

9. Performance of Fund Managers for Quarter Ended 31 December 2015 and Valuation at 31 January 2016

The Committee received a report setting out the performance of the investment managers and of the overall Fund for the quarter, year and three years ending 31 December 2015 and the valuation at 31 January 2016.

The Committee noted that the 4.3% return on the Fund in the quarter to 31 December 2015 was below benchmark due mainly to underperformance within the equities mandates. The value of the Fund in January 2016 had dropped to £638m largely due to the performance of the equities mandates.

Aon Hewitt, agreed to send an update in relation to the disappointing performance of the Oldfields equities mandate.

10. Dates of Pension Fund Committee Meetings 2016/17

The dates of the Pension Fund Committee Meetings for the Municipal Year 2016/17 were noted as follows:

21 June 2016
6 September 2016
22 November 2016; and
7 March 2017.

11. Options for Liability Driven Investments

An officer informed the Committee that a short report on funding levels requested at the last meeting had erroneously been omitted from the agenda and he apologised for this oversight. Members agreed to receive and consider an urgent oral report in order to ensure that the matter was considered at the earliest opportunity and they received a presentation and a tabled document titled "Funding Update as at 31 December 2015 – London Borough of Harrow Fund" from the Actuary, Hymans Robertson LLP, which illustrated the estimated development of the funding position from 31 March 2013 to 31 December 2015.

12. Investment Manager Monitoring

Members considered a confidential paper which included Aon Hewitt's quarterly report on Harrow's investment managers with all managers being rated either "Buy" or "Qualified".

The Chair reported that confidential reports (Part II) before the Pension Fund Committee would be shared with the Pension Board to allow it to carry out its role effectively. However, reports which contained personal information of officers would be treated on a case by case basis where it may be possible to present a summary report or a redacted document

Financial Implications

13. Whilst this report discusses numerous matters relevant to the financial standing of the Pension Fund there are no financial implications arising directly from it.

Risk Management Implications

14. Relevant risks are included in the Pension Fund Risk Register.

Equalities implications

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

Council Priorities

16. The financial health of the Pension Fund directly affects the level of employer contribution which in turn affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name:	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	14 June 2016		

Ward Councillors notified:	Not applicable
-----------------------------------	-----------------------

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None

REPORT FOR: PENSION BOARD

Date of Meeting: 28 June 2016

Subject: Information Report – Work Programme
2016-17

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary

This report invites the Board to comment on a suggested work programme up to the end of the 2016-17 financial year.

For Information

Section 2 – Report

1. At its meeting on 22 March 2016 the Board asked for a work programme to be suggested for its consideration. Below is a programme for the remainder of the financial year on which the Board's comments are invited.

6 September 2016 – Pension Fund Committee

All members of the Board are invited to attend the training session (probably on infrastructure investment) starting at 17.30 and the Committee at 18.30.

13 October 2016 – “Meet the Managers”

All members of the Board are invited to attend meetings probably with five of the Fund's investment managers commencing at 14.00 and finishing at approximately 19.00.

2 November 2016 - Pension Board

- Update on triennial valuation
- Funding Strategy Statement
- The Pensions Regulator Code of Practice and Breaches Policy
- Pensions Administration – Performance Monitoring
- Communications Policy Statement
- Statement of Investment Principles
- Latest Pension Fund Committee Meeting
- Environmental, Social and Governance Issues

22 November 2016 – Pension Fund Committee

All members of the Board are invited to attend the training session starting at 17.30 and the Committee at 18.30.

7 March 2017 – Pension Fund Committee

All members of the Board are invited to attend the training session starting at 17.30 and the Committee at 18.30.

March 2017 – Pension Board

- Results of triennial valuation
- Funding Strategy Statement
- Long term cashflow and funding
- Governance Compliance Statement
- Latest Pension Fund Committee Meeting

- Review of Internal Controls at fund managers
- Risk register
- Monitoring of operational controls at managers
- External audit plan
- Training programme 2017-18
- Environmental, Social and Governance Issues

Financial Implications

2. There are no financial implications arising directly from this report.

Risk Management Implications

3. The Pension Fund has its own risk register .which covers all risks which might arise from this report.

Equalities implications

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

Council Priorities

5. Whilst the financial health of the Pension Fund and the employer's contribution affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Name:	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	14 June 2016		

Ward Councillors notified:	NO
-----------------------------------	-----------

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None

This page is intentionally left blank

REPORT FOR: Pension Board

Date of Meeting: 28 June 2016

Subject: Information Report – Annual Review of Internal Controls at Longview Partners

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary

The report sets out in summary the contents of the latest internal controls report from Longview Partners LLP.

FOR INFORMATION

Section 2 – Report

1. The Report of the Auditor on the Pension Fund's 2009-10 Accounts recommended that due diligence be carried out on the strength of the operational controls at investment managers both through a review of internal controls reports and visits to key investment managers. At the November 2010 meeting of the, then, Pension Fund Investment Panel a template was introduced as a basis for measuring the level of assurance provided by the operational structure supporting each mandate.
2. Operational controls of investment managers relate to the procedures in place to safeguard the Fund's assets against loss through error or fraud and to ensure that client reporting is accurate. Poor operational controls can also hamper the management of the assets leading to reduced returns or increased costs. Should there be a lack of evidence that controls operated by investment managers are robust, the continued appointment of the manager would be questionable.
3. Operational control reviews focus on the key environmental, business and process issues.
4. At their meeting on 22 March 2016 the Committee received reports in respect of all its managers.
5. For eight of the Fund's managers the latest reports received were for periods of 12 months ended during 2015 but for two of them, Insight Investment and Longview Partners LLP, they were in respect of the year ended 31 December 2014. Since the Board met a report has been received from Longview in respect of the year ended 31 December 2015 the key points from which are given below. Insight have advised that their report for the year ended 31 December 2015 will be available in July/August and a summary of this will be provided for the Board at its next meeting on 2 November 2016.

Longview Partners

The report carried out by Moore Stephens LLP entitled "Assurance Report on Internal Controls" for the period 12 months to 31 December 2015" included the following:

In the Auditor's opinion, in all material respects:

- a) the accompanying report by the members describes fairly the control procedures that relate to the control objectives referred to above which were in place as at 31 December 2015;
- b) the control procedures described in section 6 were suitably designed such that there is reasonable, but not absolute, assurance that the specified control objectives would have been achieved if the described control procedures were complied with satisfactorily; and

- c) the control procedures that were tested, as set out in the attachment to this report were operating with sufficient effectiveness for us to obtain reasonable, but not absolute, assurance that the related control objectives were achieved in the period 1 January 2015 to 31 December 2015.

Of the 91 controls tested by the auditor, 1 exception was identified as follows:

Moore Stephens verified through observation and system configuration review that Safend Data Protection Agent is installed on all workstations and that it blocks the download of data to USB memory drives.

Exception noted: A small number of PCs had Safend Data Protection Agent deployed but it was not performing as expected.

Management response: During 2015, Longview rolled out a small number of new PCs with Safend software deployed. This deployment did not restrict USB access as expected. The impacted PCs are all contained within a secure office environment and all PC based anti-virus protection software was successfully deployed. The PCs in question have now had their Safend software updated.

Financial Implications

6. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no financial implications arising from this report.

Risk Management Implications

7. The risks arising from the controls exercised by the Fund's investment managers are included in the Pension Fund risk register.

Equalities implications

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

Council Priorities

9. Investment performance has a direct impact on the financial health of the Pension Fund which 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

Name: Dawn Calvert



Director of Finance

Date: 7 June 2016

Ward Councillors notified:

NO

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank