

# Pension Fund Committee

## Minutes

### 24 March 2021

**Present:**

**Chair:** Councillor Keith Ferry

**Councillors:** Dean Gilligan Bharat Thakker  
Norman Stevenson

**Co-optee  
(Non-voting):** Howard Bluston

**Independent  
Advisers:** Mr C Robertson Independent Adviser  
Honorary Alderman R Independent Adviser  
Romain

**Absent:** Pamela Belgrave GMB  
John Royle Unison

**134. Attendance by Reserve Members**

**RESOLVED:** To note that there were no Reserve Members in attendance.

**135. Declarations of Interest**

**RESOLVED:** To note that the declaration of interests, which had been published on the Council website, be taken as read and that in the course of the meeting.

- (1) the Declarations of Interests published in advance of the meeting on the Council's website were taken as read;
- (2) Members and Advisers who had declared interests remained in the virtual meeting whilst the matters were considered and voted upon.

**136. Minutes**

**RESOLVED:** That the minutes of the meeting held on 25 November 2020 be taken as read and signed as a correct record.

**137. Public Questions**

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

**138. Petitions**

**RESOLVED:** To note that no petitions were received at the meeting.

**139. Deputations**

**RESOLVED:** To note that no deputations were received at the meeting

**Resolved Items**

**140. Review of Pension Fund Communications Policy**

The Committee received the Review of Pension Fund Communications Policy report which reviewed the Pension Fund's Communications Policy along with updated methods of operating reflected in the report.

The officer introduced the report to the Committee in brief, it was noted that the Pension Board endorsed the proposed policy for adoption at their latest meeting. The Chair then opened the floor for discussion.

**RESOLVED:** That the Communications Policy be adopted from 1 April 2021.

**141. Review of Pension Fund Governance Compliance Statement**

The Committee received the report which reviewed the pension fund governance compliance statement report, which was reviewed by the Pension Board on 4 March 2021.

The officer introduced the report to the Committee and highlighted:

- Harrow Council, similar to other boroughs, is the main employer in the fund and accounts for between 80 – 85% of the total fund membership.
- The good governance review which was undertaken by the Scheme Advisory Board which bought with it key recommendations from their latest meeting. There was the intention to implement these in the coming year.

It was noted by the Committee that at the LAPF Investment Awards Conference that had taken place on 2 December 2020, Harrow were named joint winners for the Scheme Administration Award. The Committee congratulated the team for their work.

**RESOLVED:** That

- (1) the latest position on the LGPS Good Governance Review be noted;
- (2) the updated Governance Compliance Statement was approved to be adopted.

#### **142. Update on Regulatory Changes - Public Sector Exit Payments**

The Committee received the report which provided an update on the implications of the HM Treasury's recent announcement that the Restriction of Public Sector Exit Payments Regulations 2020 had been revoked.

The officer introduced the report to the Committee and highlighted:

- In February 2021, the "exit cap" of £95k was removed as the limitation of exit payments regulations were revoked by the Treasury.
- The revocation regulations had required employers to take some action in cases where an individual may have been placed in a worse position and as a result of the application of the exit caps. No cases had been reported in Harrow Borough Council where someone was paid a reduced pension, which had made the impact minimal.
- The Government intends to bring forward revised proposals later in 2021.

The Committee raised a number of questions which were answered by the officer as followed:

- Trade unions had planned to make representations on the exit cap and the pending litigation could have possibly been a reason that the Treasury decided to act.
- Until the revised proposals are revealed it would be difficult to determine if improvements had been made for the future.

The Committee had highlighted that further engagement from trade unions would be encouraged.

**RESOLVED:** That

- (1) it was agreed that the draft actuarial factors issued by the Government Actuary Department should continue to be used in the calculation of pension strain unless and until different factors are issued;
- (2) it was agreed that authority be delegated to the Director of Finance and Assurance to authorise a change to "fund specific" factors for calculation of pension strain if the Fund's actuaries, Hymans Robertson, advise that it is appropriate to do so,

- (3) it was noted that the Pension Fund Risk Register will be updated to reflect the removal of the risk arising from the conflict between the two sets of Regulations.

#### **143. Training Programme for 2021-22**

The Committee received the report which provided a review of the Committee's training arrangements.

The officer introduced the report to the Committee and highlighted:

- There were a number of approaches to how the training could be implemented.
- That a presentation from the actuary on the good governance review and a presentation from London CIV on new fund offerings had been recommended options.

The Committee raised a number of points including:

- That a blend of the different training options was preferable. The hour long sessions prior to the Pensions Committee meetings had been beneficial and should be continued.
  - A full day's training consisting of meeting managers was recommended.

**RESOLVED:** That

- (1) the Committees noted the report;
- (2) it was agreed to continue with the hour training session prior to the Pensions Committee meetings, and when available to have a Manager Day arranged.

#### **144. Update on London CIV and Investment Pooling Arrangements**

Members received a report which updated the Committee on the current position of the Fund's investments in the context of the Government's requirements for pooling, and on current developments within the London CIV.

The officer introduced the report to the Committee and highlighted:

- The local government pension schemes are required to move towards pooling of investments, for which an informal target of getting 75% of assets pooled by 2023 had been set. Harrow had made good progress to reach this target, as of the 28 February 2021 Harrow was at 56% pooled. If the commitment to infrastructure is added, this means circa 62% is pooled.

An Independent Adviser reported on meetings with the London CIV, in particular with regard to developments relating to the London CIV Global Equity Focus Fund (Longview) and the London CIV MAC Fund.

**RESOLVED:** That the report be noted.

#### 145. Performance Dashboard and Update on Regular Items

Members received a report which updated the Committee on the draft work programme; the investment and management performance dashboard report; the fund performance to 31 December 2020 and an update on the Pension Board.

The officer introduced the report to the Committee and highlighted:

- The investment dashboard had shown that there was a strong performance on the fund's investments, and the funding level was up to 95% at 31 December 2020. This had brought the fund to a level similar to the 2019 valuation, even though asset valuations had increased significantly, due to liabilities increasing because of the fall in gilt yields.
- The Fund's assets had increased further in value, to £953m as at 28 February 2021.

**RESOLVED:** That the report be noted.

#### 146. Any Other Urgent Business

The Committee sent their heartfelt condolences to Dawn Calvert, Director of Finance for the loss of her partner.

#### 147. Exclusion of the Press Public

**RESOLVED:** That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

Agenda Item No.	Title	Description of Exempt Information
15	Performance and Valuation – Regular Update – Appendix 3 and 4	Information under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) relating to the financial or business affairs of any particular person (including the authority holding that information).
16	Investment Strategy Review	Information under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) relating to the financial or business affairs of any particular person

		(including the authority holding that information)..
17	Pensions Administration System Procurement	Information under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) relating to the financial or business affairs of any particular person (including the authority holding that information)

#### 148. Performance Dashboard and Update on Regular Items

The Committee received confidential appendices to the Performance Dashboard and Update on Regular Items report. The officer undertook to answer questions raised during the discussion.

**RESOLVED:** For the report to be approved.

#### 149. Investment Strategy Review

Members received a confidential report in relation to updates on the Investment Strategy Review and proposed some key actions to progress the review.

The report was presented and the Fund's Investment Advisers, Aon, answered questions raised during the discussion.

The report updated progress made since the review of the equity portfolio at the previous meeting and considered a recommended approach to move the Fund's passive equity portfolio to a suitable low carbon fund also managed by Blackrock within the London CIV passive fee arrangements.

One area of focus in the report was the review of the Fund's Risk Control assets, and changes were recommended to the existing fixed income (bonds/gilts) managed by Blackrock, including increasing diversification through the introduction of a global bond fund managed by the London CIV.

The report also considered the Diversifying Return element of the portfolio and considered options to improve this area. However, it was felt that the Committee needed to carry out further work on the available options, and a training session by the London CIV on some aspects of this was requested.

**RESOLVED:** That

- (1) the progress made to date in respect of the realignment of the Fund's Equity portfolio be noted.;
- (2) transfer of the Fund's passive equity holdings managed by Blackrock from the existing vehicles to their ACS Low Carbon Equity Tracker Fund be approved;

- (3) the following allocation of the Fund's Risk Control portfolio be approved:
- Multi asset credit - 10% of the Fund
  - UK Corporate Bonds - 5% of the Fund
  - Global Bonds - 5% of the Fund
  - Index Linked Gilts - 5% of the Fund
- (4) the amendment of the Fund's Fixed Income Mandate with Blackrock be approved as follows:
- removing the 80:20 benchmark allocation between Bonds and gilts,
  - reducing the existing UK Corporate Bonds holding from 11% to 5% of the Fund;
  - increase the Index Linked Gilts holding from 3% to 5% of the Fund;
  - transfer the Index Linked Gilts from the existing actively managed fund into a passive fund;
- (5) the investment of the 5% of the Fund (arising from the above reduction in the allocation to Corporate bonds) in the LCIV global bonds fund (which is managed by PIMCO) be approved;
- (6) officers (in conjunction with Aon) be authorised to continue to monitor the LCIV's work to
- develop a UK Corporate Bond Fund and
  - review the existing MAC Fund;
- (7) the following allocation of the Fund's Diversifying Return portfolio be approved:
- Property - 7.5% of the Fund
  - Infrastructure - 7.5% of the Fund
  - Diversified Growth Fund (DGF) - 5% of the Fund
  - Source of Funds - 5% of the Fund;
- (8) the retention of the "Source of Funds" allocation in the current DGF managed by Insight pending the investigation of alternative investment opportunities be approved;
- (9) the arrangement of further training by the LCIV be approved, to cover the following alternative investments:
- the LCIV Renewable Infrastructure Fund,
  - the London Fund,
  - the LCIV Inflation Plus Fund;

- (10) officers, supported as necessary by Aon, be authorised to implement the above changes to the Fund's investments;
- (11) officers and Aon be authorised to continue the dialogue with LPPI in relation to their intentions for the LaSalle mandate and, when the time is appropriate, communicate with LaSalle regarding the future intentions;
- (12) officers, supported by Aon, be authorised to make the necessary consequential changes to the Fund's Investment Strategy Statement and report those to the Committee's next meeting.

#### **150. Pensions Administration System Procurement**

Members received a confidential report which updated the Committee on the proposed approach to the procurement of the Pensions Administration system in readiness for the expiry of the existing contract.

The report was presented, and the officer answered questions raised during the discussion.

**RESOLVED:** That the report be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.03 pm).

(Signed) Councillor Keith Ferry  
Chair