

Pension Fund Committee

Minutes

24 June 2021

Present:

Chair: Councillor Nitin Parekh

Councillors: Keith Ferry Bharat Thakker
Norman Stevenson

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

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

Absent: Pamela Belgrave GMB

151. Attendance by Reserve Members

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

152. 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.

153. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Bharat Thakker as Vice-Chair of the Pension Fund Committee for the 2021/2022 Municipal Year.

154. Minutes

RESOLVED: That the minutes of the meeting held on 24 March 2021 be taken as read and signed as a correct record.

155. Public Questions

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

156. Petitions

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

157. Deputations

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

Resolved Items

158. Draft Pension Fund Accounts for 2020-21

The Committee received the Draft Pension Fund Account report for 2020-21.

The officer introduced the report to the Committee in brief, it was noted that the deadline for the completion of the audit of the accounts would be 3 September 2021 and the audit report would be published on 1 December 2021.

Note 23 - Additional voluntary contributions - this note was incomplete as information from one of the AVC providers had not been provided to the council at the date of the meeting. This had no impact on the other financial statements as contributions were made to AVCs separately by a small group of scheme members, and were invested separately. The statements for these AVCs would be provided so that the note be completed in time for the audit.

- The Committee raised a number of questions which were answered by the officer as followed: The audit for 2019/20 had yet to be signed off, it was noted that there were no issues with the pension fund and that the auditor's quality control procedures were taking longer than usual during this past year.
- It was noted that on page 18 of the agenda, the number of deferred members had decreased rather than increased.

RESOLVED: That the report be noted and that the draft accounts be approved for submission to the external auditors.

159. Review of Internal Controls at Investment Managers

The Committee received the Review of Internal Control at Investment Managers report which provided the Committee with a summary of the contents of the latest internal controls reports for the Fund's investment managers. The reports had been reviewed and highlighted those controls were operating effectively and, where exceptions had been identified, that there had been a satisfactory management response

The officer introduced the report to the Committee in brief, it was noted that the auditor's report had shown that the controls were being operated well and where testing identified weaknesses, there were appropriate management responses. It was noted that some managers this year had not provided a completed audit report for the period 2020/21 but instead issued a bridging letter that covered the period from the audit of the internal controls up until the end of the financial year.

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

- The bridging letters had been provided where audit reports had not been completed due to the impact caused by the pandemic. A member of the Committee raised that the LCIV should be questioned for more detail as to why bridging letters were provided instead of reports.
- It was raised that two reports were still to be expected and would be chased up by the officer as to when the Committee could expect to see them.

RESOLVED: That the report be noted.

160. Review of Pension Fund Risk Register

The Committee received the Review of Pension Fund Risk Register report which outlined the updated Pension Fund Risk Register for the Committee to review.

The officer introduced the report to the Committee in brief, it was noted the exit cap had been removed for the time being and therefore the risk that surrounded the conflict between the exit cap regulations and the Local Government Pension Scheme (LGPS) regulations had been removed, with no change to the key risks.

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

- It was advised by the Committee that some new phraseology would be welcomed for the risk concerning manager selection, recognising that the role of the London CIV and that it would be the London CIV who would have selected the managers. It was also noted that not having to carry an in-house selection process would make it quicker to

implement decisions to change managers, provided that the CIV has a suitable manager in place. It was also noted that meetings with managers were less frequent than in previous years. In addition, the balance of accountability between Harrow Council and the London CIV should be recognised as working with the London CIV was under Government guidelines.

RESOLVED: That the report be noted.

161. Performance Dashboard and Update on Regular Items

The Committee received the Performance dashboard and update on regular items report which had given an insight into the draft work programme, a summary of the key performance and risk indicators from the management performance dashboard report as well as the PIRC performance indicators. Finally, the report gave an update on the Pension Board.

The officer introduced the report to the Committee in brief, it was noted that the funding level went above 100%. This was mainly due to the good investment performance in 2020 along with a small downward shift in the value of the liabilities during the latest quarter because of an increase in yields which increased the discount rate used to value those liabilities.

The Officer went on to highlight:

- The fund value now at £995 million.
- Equities had been rebalanced due to £30 million being withdrawn from Longview, Blackrock and GMO, £20 million had then been invested in the London CIV global bond fund to start the process of realigning the fixed income investments agreed at the previous meeting.
- Work had been undertaken with Blackrock to get the mandates adjusted and for tax forms to be put into place. This would allow for a number of shifts to take place which would be completed by the end of quarter 3 of 2021.

The Committee raised a number of questions which were answered by the officer and an Independent Adviser as follows:

- Raised how the potential inflation risk and potential interest rate risk might impact the pension fund. It was explained that if inflation increased substantially and everything else being equal, then this would be detrimental to the pension fund as the liabilities of the fund were linked to inflation, but the fund did not have full exposure to inflation linked assets. Long-term inflation (circa 20 years ahead) would impact the pensions as opposed to the inflation rate at present. However, the fund would benefit if gilt yields rose without expected inflation rising.

- Though the fund was marginally overfunded, no action would be taken as this was not the full triennial valuation, not all the member data had been submitted, nor had the analysis that would be associated with that data been carried out.
- No specific de-risking actions beyond rebalancing back to the strategic benchmarks had taken place.
- In terms of what proportion had been invested in Environmental, Social and Governance (ESG) orientated assets there had been shifts towards investing in those areas and detail into what proportion of investments were in ESG orientated assets could be looked into.

The Committee raised a number of points as follows:

- It was not known if ESG was referenced on members' annual benefit statement. A Member raised that this should be something to have on the benefit statements.
- That it would be beneficial to know the comparative information on ESG investment.

RESOLVED: That the report be noted and that the draft work programme for the remainder of 2021-22 be approved with the addition of a 'meet the manager' event.

162. 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)
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163. Review of Internal Controls at Investment Managers

The Committee received confidential appendix to the Review of Internal Controls at Investments Managers report. The officer undertook to answer questions raised during the discussion.

RESOLVED: For the report to be noted.

164. 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.

165. Investment Strategy Review - Next Steps

The Committee received the Investment Strategy Review – Next Steps report. The officer undertook to brief the Committee and answer questions raised during the discussion.

Points put forward in favour of the LCIV Alternative Credit Fund included the absence of 'duration' in that fund, as duration was thought inappropriate for a MAC fund, no overlap with the existing holding in the LCIV Global Bond Fund and greater consistency between the benchmark allocation and the target return. It would also leave the asset allocation decision on the commitment to investment grade bonds clearly in the hands of the Pensions Committee. There was no objection to the use of an additional manager nor to the appointment of PIMCO as the additional manager.

RESOLVED: That the Committee note and for the following to be agreed the follows:

- (1) For the progress made in the realignment of the Fund's equity and risk control assets to be noted;
- (2) With regard to the LCIV MAC Fund, a preference was expressed for LCIV Alternative Credit Fund rather than the "blended" two manager approach, and for the Director of Finance and Assurance to be authorised to notify LCIV of the Fund's preferred option;
- (3) For an investment of 5% of the Fund's assets (£50m) in the LCIV Renewables Fund to be approved;
- (4) To authorise the Director of Finance and Assurance and Aon 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.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.21 pm).

(Signed) Councillor Nitin Parekh
Chair