

Pension Fund Committee

Minutes

13 September 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 Adviser
Honorary Alderman R Romain Independent Adviser

Absent: Pamela Belgrave GMB

166. Attendance by Reserve Members

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

167. 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.

168. Minutes

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

169. Public Questions

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

170. Petitions

RESOLVED: To note that no petitions had been received.

171. Deputations

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

Resolved Items

172. Good Governance Review Update

The Committee received the Good Governance Review Update Report. This report had set out a proposed approach for it to be ensured that the Fund would be ready for the implementation of the Good Governance Review in 2022.

The officer introduced the report to the Committee in brief, it was noted that:

- A number of items needed to be put into place, particularly surrounding policies, in order to be prepared for the implementation of the review in 2022. This included the conflicts management policy, representation policy and an administration strategy.
- In order to be ready, the approach suggested was for the suite of templates from Hymans Robertson to be purchased and then tailored them into Harrow Council documents.
- The Pension Board would then be used as a scrutiny body to review the draft policies so that they could be presented in a final state to the Pension Fund Committee.

RESOLVED: That the report is to be noted and the proposed approach to preparing for the review approved by the Committee.

173. Draft Pension Fund Annual Report for 2020-21

This report presented the draft Pension Fund Annual Report and Accounts for the year ended 31 March 2021, and the External Audit Plan on which the Committee's comments were invited. The Committee were also updated on progress with the 2020-21 audit.

The officer introduced the report to the Committee in brief, it was noted that:

- In June 2021 the draft pension fund accounts were reviewed and approved by the Committee, to be audited externally.
- In July 2021, the auditors signed off the 2019/20 accounts.
- This report and the audit would be presented to the Governance, Audit, Risk Management and Standards Committee on the 12 October 2021.

A number of points were raised as follows:

- An Adviser noted that on page 55, paragraph 2 it should be Appointed as opposed to Consulting Actuary. Secondly, paragraph 5 was noted to say that there was “commitment to invest 7.5% of fund assets in the LCIV Infrastructure Fund”. However, the Adviser suggested that it should be an amount as the commitment to LCIV was an amount not a percentage.

In addition, on page 63 it was noted that the Actual Percentage of Fund had not totalled to 100% as well as some dates being noted to be inconsistent. The Officer noted these and confirmed that these would be remedied.

- An Adviser noted that a stock lending policy was also offered by Longview, not just Black Rock, which the Officer noted.

RESOLVED: Subject to the items noted above, the report was to be approved for publication and for the Director of Finance and Assurance to be authorised to make any changes arising from the audit of account before publication.

174. Review of Investment Strategy Statement

The Committee received the Review of Investment Strategy Statement Report, which outlined the necessary update to the Fund’s Investment Strategy Statement in order to reflect the recent decisions taken during the review of the Fund’s Investment Strategy. This report presented the draft Investment Strategy Statement for consideration and approval.

The officer introduced the report to the Committee in brief, it was noted that:

- The Local Government Pension Scheme (LGPS) investment regulations required an Investment Strategy Statement to be published, reviewed and to be kept up to date.
- A review and a realignment of the investments had recently taken place and so the necessary changes to the statement were presented in this report.

The Committee raised a number of questions which were answered as follows:

- The Chair asked if Environmental, Social and Governance (ESG) investments were mentioned in the objectives of the fund. An Aon Officer explained that the ESG policy was mentioned in section 13 of the Investment Strategy Statement.
- The Chair also raised that it had not specified how much cash could be held at any time and asked if there should be a cash benchmark. An Aon representative explained that cash was not part of the strategic allocation, therefore was not included in the allocation range in section 7 of the report. However, working capital could be held but was not a strategic long-term objective.
- An Adviser raised that on page 118 of the agenda, the benchmark for insight should be consistent with the Multi Asset Credit benchmark which required adding the targeted excess return to the benchmark stated. An Aon representative noted this and confirmed that this would be amended.

RESOLVED: Subject to the corrections mentioned above the report is to be noted and for the Investment Strategy Statement as set out in Appendix 1 to be approved.

175. Performance Dashboard and Update on Regular Items

The Committee received the Performance Dashboard and Update on Regular Items Report. This updated the Committee on: Draft work programme on which the Committee's comments and agreement were requested; the investment and management performance dashboard report which summarised key fund performance and risk indicators and PIRC Performance Indicators; Fund performance to 30th June 2021 and an update on the Pension Board.

The officer introduced the report to the Committee in brief, it was noted that:

- The arrangements for the upcoming Manager Day for the 2 November 2021 were to see the following organisations: Insight, Longview and GMO. The Officer had also spoken to the LCIV because whilst Longview were the underlying Manager, Harrow was actually invested in the LCIV Global Equity Focus Fund. LCIV had indicated that they wanted to be present at the meeting.
- The Dashboard as at the 30 June 2021 highlighted the funding level of the fund based on the 2019 assumptions was 105% of past service liabilities.
- Hymans Robertson had started to run a series of presentations in preparation for the triennial valuation taking place in 2022. They had indicated that although it might appear that as a result of investment performance over the last 2 years, the past service deficit contributions could fall, this would be at least partly offset by an increase in the

forecast for future pay and price increases. Lower expected future investment returns meant higher contributions could be required for future service to be funded.

- £3.7m was invested in the LCIV renewable infrastructure fund.
- In respect of the Multi Asset Credit (MAC) fund, the LCIV had confirmed that there was sufficient interest for there to be a single manager alternative credit fund which would be managed by CQS. This had meant that no alterations would need to be made to the fixed income investment strategy.
- Someone had been found to fill the vacant employer representative position on the Pension Board, subject to the decision of the Council.

A number of questions were raised and answered by the officers as follows:

- A Member of the Committee enquired about the Managers Day arrangements, to which the Officer explained that the Managers Day would start mid-morning.
- An Advisor asked for further explanation for LCIV's attendance at the Managers Day. The Officer explained that Harrow Council was invested in the LCIV Global Equity Focus Fund for which Longview were the underlying Manager. Therefore, because LCIV were technically the fund manager, in this instance they requested to be present at the Managers Day. However, they were happy for Harrow Council to speak with Longview.
- The Officer explained that the intention was to ask for Longview's presentation at the Managers Day as opposed to the LCIV's interpretation of Longview's presentation and for questions to be asked of Longview. In addition, it would be sought that LCIV would be present to listen to concerns as opposed to directing the session.

RESOLVED: That the report be noted and that the draft work programme for the remainder of 2021/22 be approved.

176. Environmental, Social and Governance (ESG) Reporting

The Committee received the Environmental, Social and Governance (ESG) Report. This report considered the development of ESG reporting for the London Borough of Harrow (LBH) Pension Fund.

The officer introduced the report to the Committee in brief, it was noted that:

- LBH had reached a position where 45% of its strategic asset allocation assets directly contributed to addressing climate change issues, mainly through the Low Carbon Passive Equity and LCIV Sustainable Equity Investment.

- The Social and Governance part of ESG had been addressed through the Local Authority Pension Fund Forum, of which LBH was a member. It was explained that LBH would give details of equity holdings and the Forum would lobby on behalf of public sector funds on a range of issues.
- The latest quarterly report from the LCIV on the ACS schemes outlined an ESG summary for each of their sub-funds.
- Aon had also developed an ESG dashboard.

The Committee raised a number of points and questions which were discussed by Members, Advisers and officers as followed:

- A Member of the Committee enquired how ESG compliance was scrutinised, and it was asked if a public statement had gone out to make members aware of our work on ESG. The Officer highlighted statements made within the investment strategy statement as well as the annual report were on public record. In addition, it was explained that LBH had not specifically reported on ESG to scheme members

The Member of the Committee also asked if LBH had been approached by campaigners regarding ESG, to which the Officer explained that only a Freedom of Information (FOI) request was received a few months ago in regard to climate change and fossil fuels.

- An Adviser asked Members of the Committee if they would welcome the establishment of an advisory body that would publicly show engagement and would also aid our understanding of ESG discussions.

The Chair thanked the Adviser for their comments and noted that this discussion had shown that the Committee was on the right track.

A representative from Aon acknowledged the Adviser's comments that ESG was a growing and important subject. They noted that it was important for data to be benchmarked in order for an understanding to be gained of what the portfolio consisted of. This had been moved forward with the addition of renewable energy and low carbon in the passive equities. In addition, relevant training sessions should be continued. The Aon representative concluded that it was important for an understanding of what LBH currently had to be gained and from there it should be considered how LBH moved forward. With regard to the establishment of an advisory body, it was noted that the establishment of an advisory body would be up to the Members of the Committee.

- An Adviser agreed that ESG was an important topic and that discussions on ESG should be taken seriously. It was also pointed out that the LBH was a member of the Local Authority Pension Fund Forum (LAPFF) which had led and engaged in ESG. It had monitored

ESG within the surrounding LBH area. Therefore, the Advisor suggested that their knowledge could be used to help LBH's understanding of ESG.

- A Member of the Committee noted that in principle the establishment of an advisory board was a good suggestion and also raised how confident was the Committee and LBH on the topic of ESG. They continued to note that ESG experts on an advisory body could be commendable.
- An Adviser noted that LBH was at the early stages where ESG was involved and therefore suggested that a lot of progress could be made for relatively little input although he was not against an advisory body. However, the amount of Officer and Member time required for this should be considered.

An Aon representative added that Harrow, compared to other boroughs was further behind in terms of ESG. However, good progress had been made and he believed further progress could be gained quite quickly.

- The Chair asked if it would be possible to have a report that would explore the advisory body as an option which was noted by the Officer.

RESOLVED: For the report to be noted.

177. Review of Internal Controls at Investment Managers

The Committee received the Review of Internal Controls 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 which were not available at the June meeting. The reports had been reviewed and had shown that 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:

- A number of control reports were noted at the previous Committee meeting; however, a number of manager reports were not available at that time. These had since been made available and could now be found in Part 2 report, all exceptions had been addressed by the underlying managers.
- A report was still expected from Oldfield Partners. LBH was no longer invested with Oldfield but had been during the last financial year. It was mentioned that a report from Oldfield Partners was in the process of being finalised which would be presented at the next Committee meeting.

RESOLVED: For the report to be noted.

178. 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 Dashboard and Update on Regular Items – Appendices 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	Environmental, Social and Governance (ESG) Reporting – Appendices 1 and 2	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	Review of Internal Controls at Investment Managers – Appendix 1	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).

179. 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: That the report be noted and that the draft work programme for the remainder of 2021/22 be approved.

180. Environmental, Social and Governance (ESG) Reporting

The Committee received confidential appendices to the Environmental, Social and Governance (ESG) report. The officer undertook to answer questions raised during the discussion.

RESOLVED: For the report to be noted.

181. Review of Internal Controls at Investment Managers

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

RESOLVED: For the report to be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.34 pm).

(Signed) Councillor Nitin Parekh
Chair