

Pension Board

Minutes

8 July 2021

Present:

Chair: Mr R Harbord

Board Members:	James Lee	Harrow Council, Employer Representative
	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members

101. Declarations of Interest

RESOLVED: To note that the Declarations of Interests published in advance of the meeting on the Council's website were taken as read.

102. Minutes

Members noted two typographical errors in the minutes of the meeting on 4 March 2021, on dates: Minute item 91 (first sentence); and Minute item 98 (fifth bullet point).

RESOLVED: That, subject the above amendments, the minutes of the meeting held on 4 March 2021, be taken as read and signed as a correct record.

103. Public Questions

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

104. Petitions

RESOLVED: To note that no petitions were received.

105. Deputations

RESOLVED: To note that no deputations had been received.

106. Appointment of Vice Chair

RESOLVED: That, in accordance with Committee Procedure Rule 7.2.2, Gerald Balabanoff was appointed Vice-Chair of the Board for the 2021/2022 Municipal Year.

107. Board Membership - Nomination to Vacant Position

RESOLVED: To note the nomination of Dr Simon Radford as the Employer Representative – Scheduled and Admitted Bodies. The appointment will be formalised at the Annual Council meeting on 30 September 2021.

Resolved Items

108. Pension Administration Performance Monitoring Statistics

The Board received the Pension Administration Performance Monitoring Statistics Report.

During the discussion that ensued, the following points were highlighted:

- 1) monitoring the service performance of the Fund was a key responsibility of the Board. The Board had been monitoring comparative pensions administration indicators since June 2017. The report provided information on performance to 31 March 2021; and
- 2) the Pensions administration performance statistics measured against the national benchmarks for the Quarter to 31 March 2021 were set out in Appendix 1 of the Report.

The Board noted the retirement of the Pensions Team Leader, Lesley Freebody, with effect from 30 June 2021. The position had been filled and the new Pensions Team Leader had started in the role.

The Board wished to record their appreciation to Lesley Freebody for her services to the Council's Pension Scheme over the years.

RESOLVED: That the Report be noted.

109. Review of Pension Fund Committee Meetings (24 March and 24 June 2021)

The Board received the Report on the Review of Pension Fund Committee Meetings (24 March and 24 June 2021).

The report summarised the matters considered by the Pension Fund Committee at its meetings on 24 March 2021, and 24 June 2021. The decisions taken on 24 June 2021 had been circulated as late material.

During the discussion that ensued, the following were highlighted:

- 1) the Fund's valuation at 31 March 2021 was £968m, as detailed in Appendix 1 of the report. During the first quarter of 2021, markets continued to be volatile, as illustrated by the fluctuating valuations at the end of each month;
- 2) the investment dashboard showed that the Pension Fund's estimated liabilities at 31 March 2021 were £963m, meaning that the Investment Funding Level was 100.5%. This estimate of liabilities was a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Committee in December 2019. The estimated funding level had improved since triennial valuation, despite the increase in the value of the Fund's liabilities which reflected the forecast yields on investments, because returns on investments have exceeded expectations in that period. The improvement in the most recent quarter was due to changes in yields during that period; and
- 3) the Fund's valuation at 30 April 2021 and 31 May 2021 had increased further to £995.1m. During April, some rebalancing was carried out: £30m was withdrawn from equities (£10m each from Blackrock, LCIV Longview, and GMO); £10m was reinvested in the LCIV Global Bond Fund, and the remainder was held in cash at 30 April. A further £10m was invested in the LCIV global bond fund in early May 2021. There had also been further drawdowns from the Fund's commitment to the LCIV Infrastructure Fund, totalling £1.1m.

RESOLVED: That the Review be noted.

110. Draft Pension Fund Accounts 2020/21

The Board received the Draft Pension Fund Accounts for 2020-21.

During the discussion that ensued the following were highlighted:

- 1) the Council's 2019-20 accounts had not been signed off by Mazars, and that because of the requirement to issue a "Certificate of Consistency" between the Pension Fund Annual Report and the Council's published accounts, this precluded the formal sign-off of the Fund's 2019-20 Annual Report and Accounts. Whilst this was unsatisfactory, this position was not unique to Harrow – a number of London Boroughs and other Councils were similarly affected, some of whom are audited by firms other than Mazars;
- 2) the statutory timetable for the publication and audit of the Council's accounts for 2020-21 had been changed by the Government in the light of the Covid-19 pandemic. The deadline for completing the Audit of

Accounts was extended to 30 September 2021. The audit will be carried out by the Council's auditor, Mazars;

- 3) the audited Pension Fund Annual report was required to be published by 1 December 2021 – this requirement had not changed. The draft annual report was currently being prepared, would be taken to the Pension Fund Committee's next meeting on 12 September 2021, and the Board's next meeting on 6 October 2021;
- 4) approval of the Council's draft accounts, including those for the Pension Fund, would be sought from GARMS Committee on 13 July 2021. The statutory "period of inspection" would begin during July 2021. The outcome of the audit will be reported to the GARMS Committee at its meeting on 23 September 2021, which would approve the audited accounts; and
- 5) Note 23 was incomplete, as information from the AVC providers was still awaited. This did not affect the Pension Fund's key financial statements as scheme members' AVC's were held and invested outside of the Fund.

RESOLVED: That the report and the draft accounts which the Pension Fund Committee had approved for submission to the external auditors be noted.

111. Review of Internal Controls of Pension Fund Managers

The Board received the Report on the Review of Internal Controls at Investment Managers.

The Report provided the Board with a summary of the contents of the latest internal controls reports for the Fund's investment managers. The reports had been reviewed and showed that controls were operating effectively. Where exceptions had been identified, there had been a satisfactory management response.

Following a question from a Board Member whether the Council's external auditors, Mazars, delved into the internal controls of Investment Managers at depth, it was advised that the Report was provided to Mazars. It was envisaged that the external auditors would go through it to some extent.

RESOLVED: That the Report be noted.

112. Review of Pension Fund Risk Register

The Board received the Report on the Review of Pension Fund Risk Register.

During the discussion that ensued, the following were highlighted:

- 1) the revised presentation of the risks agreed by the Pension Fund Committee in November 2020 was retained;

- 2) those risks which were considered lower and whose current scores equated to a “green” rating” (24 Risks) are shown in Appendix 3;
- 3) since the last review, one risk (Risk G2 in Appendix 3) – the conflict between the LGPS Regulations and the “Public sector Exit Cap” – had been downgraded following the Government’s decision to repeal the Regulations it introduced in October 2020, which removed the risk. However, it was noted that the Government planned to bring in new arrangements to limit “exit payments” later in 2021; and
- 4) the remaining red risk related to the Regulatory impact of Court judgements, in particular, the McCloud Judgement. Work to mitigate the risk by collecting additional historic data from employers would be done. At present the Government had not provided details of how McCloud would be implemented in the LGPS, and until that happened the precise impacts could not be quantified.

RESOLVED: That the Report be noted, and that regular updates on the “Public Sector Exit Cap”, and the McCloud Judgement continue to be provided.

113. Work Programme

The Board received the Report of the Pension Board Work Programme for Future Meetings. It suggested the addition of reports on the Conflicts of Interest Policy, the proposals for the revised “exit cap” arrangements, and the Good Governance Review, at the appropriate time, in each case.

The Board expressed their desire to continue meeting virtually, however, that would depend on several factors, and a decision would be made later.

The dates set for future meetings of the Pension Board were as follows:

- Thursday 30 September 2021;
- Wednesday 1 December 2021; and
- Thursday 3 March 2022.

However, the Council meeting originally scheduled for 22 July 2021 had been moved to 30 September 2021. It would, therefore, be necessary to agree a new date for the next meeting of the Board for 6 October 2021.

RESOLVED: That the Report be noted, and that the next Board meeting be held on 6 October 2021.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.40 pm).

(Signed) Richard Harbord
Chair