

Pension Board Agenda

Date: Thursday 8 July 2021

Time: 6.30 pm

Venue: Virtual Meeting - Online

Membership (Quorum 3, including at least one Employer representative and one Scheme Member representative).

Chair: Mr R Harbord

Board Members:

Councillor James Lee	- Harrow Council, Employer Representative
Gerald Balabanoff (VC)	- Scheme Members' Representative - Pensioners
Patrick O'Dwyer	- Scheme Members' Representative - Active Members
Vacancy	- Employer Representative – Scheduled and Admitted Bodies

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Useful Information

Meeting details

This meeting is open to the press and public and can be viewed on www.harrow.gov.uk/virtualmeeting

Filming / recording of meetings

Please note that proceedings at this meeting may be recorded or filmed. If you choose to attend, you will be deemed to have consented to being recorded and/or filmed.

The recording will be made available on the Council website following the meeting.

Agenda publication date: Wednesday 30 June 2021

Agenda - Part I

1. **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.

2. **Minutes** (Pages 5 - 10)

That the minutes of the meeting held on 4 March 2021 be taken as read and signed as a correct record.

3. **Public Questions** *

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

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, 5 July 2021. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

4. **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).

5. **Deputations**

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

6. **Appointment of Vice Chair**

To appoint a Vice Chair for the 2021/22 Municipal Year.

7. **Board Membership - Nomination to Vacant Position** (Pages 11 - 12)

To receive a nomination for the vacant position of an Employer Representative – Scheduled and Admitted Bodies.

8. **Pension Administration Performance Monitoring Statistics** (Pages 13 - 18)

Report of the Director of Finance and Assurance.

9. **Review of Pension Fund Committee Meetings (24 March and 24 June 2021)** (Pages 19 - 28)

Report of the Director of Finance and Assurance.

10. **Draft Pension Fund Accounts 2020/21** (Pages 29 - 66)

Report of the Director of Finance and Assurance.

11. **Review of Internal Controls of Pension Fund Managers** (Pages 67 - 72)

Report of the Director of Finance and Assurance.

12. **Review of Pension Fund Risk Register** (Pages 73 - 86)

Report of the Director of Finance and Assurance.

13. **Work Programme** (Pages 87 - 90)
Report of the Director of Finance and Assurance.

14. **Any Other Business**
Which cannot otherwise be dealt with.

14(a) September Board Meeting:

To agree to move the Pension Board meeting scheduled for 30th September to 6th October 2021.

15. **Exclusion of Press and Public**
To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

Agenda Item No	Title	Description of Exempt Information
16	Appendix 1 to the report on Review of Internal Controls of Pension Fund Managers	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).

Agenda - Part II

16. **Review of Internal Controls of Pension Fund Managers** (Pages 91 - 98)
Appendix 1 to the report of the Director of Finance and Assurance.

* Data Protection Act Notice

The Council will audio and video record item 4 (Public Questions) and will place the recording on the Council's website, which will be accessible to all.

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



Pension Board

Minutes

4 March 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

90. Declarations of Interest

RESOLVED: To note that the declarations of interests, which had been published on the Council website, be taken as read.

91. Minutes

RESOLVED: That the minutes of the meeting held on 2 December 202 be taken as read and signed as a correct record, subject to the following amendments:

- Page 6, Item 83 – to clarify that the Vice-Chair did not attend the Pension Fund Committee meeting on 25 November 2020.
- Page 9, Item 85 - to read “The Regulations enabled the Pension Fund to manage *exit* arrangements...”

92. Public Questions

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

93. Petitions

RESOLVED: To note that no petitions had been received.

94. Deputations

RESOLVED: To note that no deputations had been received.

Recommended Items

95. Review of Pension Fund Communications Policy

The Board received a report setting out the revised Pension Fund's Communications Policy (at Appendix 1).

In his introduction, the Interim Pensions Consultant stated that the Communications Policy, a requirement under the Local Government Pension Scheme (LGPS) Regulations, was last reviewed in 2018. The policy had been updated, taking inspiration from a range of good practice found in other LGPS administering authorities and reflecting the current methods of operating as a result of the Covid-19 pandemic.

The Board welcomed the report and acknowledged the improvements made to its structure. A comment was raised in relation to page 26, paragraph 9 in that the accuracy of having training as a regular agenda item at Pension Board meetings quarterly meetings needed to be confirmed. The Chair added that a list of training opportunities used to be provided as part of the meeting agendas alerting Members to any available opportunities but had since stopped. Officers undertook to investigate this matter.

A Member also stated that whilst the Pension Fund Communications Policy was available on the Harrow LGPS website, some consideration on improving and promoting internal communications within the Council and taking advantage of available information was required.

RESOLVED: That the revised Pension Fund Communications Policy be noted.

Resolved to RECOMMEND: (to Pension Fund Committee)

That the revised Pension Fund Communications Policy be recommended for approval and adoption, subject to any additional amendments to the report.

96. Review of Pension Fund Governance Compliance Statement

The Board received a report setting out the revised Pension Fund Governance Compliance Statement (at Appendix 1). The Statement, which aim was to outline the specific delegations of functions and local Pension Board arrangements, was last reviewed in 2018.

Members' attention was drawn to the Good Governance Review which had been put on hold during the initial stages of the pandemic but had resumed

and was recently discussed by the LGPS Scheme Advisory Board. The recommendations from Hyman Robertson, the Scheme's Actuary, had been published and a report would be presented at the next Board meeting for further discussion.

The Board welcomed the report and the revised Statement and raised a number of comments as follows:

- Pages 37 and 38 –determination of early retirement applied to Harrow Council Employee Members, not all members.
- Page 38 - the Director of Finance's title to be amended to read "Director of Finance *and Assurance*"
- Page 41 – the non-compliance related to the composition of the Pension Fund Committee (which was the decision-making body for the scheme). The Committee had no representatives of the "non-Harrow" employers, and the scheme member representatives had only observer (ie non-voting) status. This position was not inconsistent with other London Boroughs.

RESOLVED: That the revised Pension Fund Governance Compliance Statement be noted.

Resolved to RECOMMEND: (to Pension Fund Committee)

That the revised Pension Fund Governance Compliance Statement be recommended for approval and adoption, subject to any additional amendments to the report.

Resolved Items

97. Review of Pension Fund Committee Items

Due to no recent Pension Fund Committee meetings having taken place since the Pension Board's last meeting on 2nd December 2020, the Board was presented with a report outlining the Pension Fund Committee items due to be considered at the next meeting scheduled for 24th March 2021. Members' attention was drawn to a number of reports, such as the review of the Pension Fund's Investment Strategy as well as the Pension Fund Communications Policy and Pension Fund Governance Compliance Statement, which were included in the agenda for this meeting. The Board was also updated on the Fund's investment position as at 31st December 2020, as set out in Appendix 1 to the report.

Responding to a question, the Interim Pension Consultant explained that the software system used by the Harrow Pension Administration was "Aquila Heywood". The contract for the software had already been extended, with any future procurement required likely to be carried through the Norfolk LGPS framework which would simplify the process.

The Board Members thanked officers for the report and did not raise any further comments or questions.

RESOLVED: That the report be noted.

98. Review of Pensions Administration Team Performance

The Board received a report setting out the regular update on the Pension Administration Team's performance for the quarter ending 31st December 2020.

The Interim Pensions Consultation introduced the report, highlighting the following:

- the Fund's membership had seen a slight increase since the last Board meeting in December 2020 and was up to 18,638 members compared to 18,451 in March 2020;
- the performance monitoring statistics, set out in Appendix 1 to the report, had been updated and now included a comparison against national benchmarking targets and the rest of the LGPS;
- no breaches of the law in the current financial year had been reported;
- there were no new complaints or internal disputes raised. However, the Administration Team was handling several long-standing cases, relating to earlier decisions on the level of ill-health retirement to be granted, which had come back for Stage 2 determination. In addition, the Team received a Pension Ombudsman complaint in December 2020, also relating to a pre-existing ill-health retirement case, which had been responded to within the timescales and was awaiting the Ombudsman's conclusions. A common theme was that the cases related to the decisions regarding ill-health retirement, which in all cases had been taken on the basis of the advice given by the independent registered medical practitioner. While difficult and challenging in their nature, all cases were considered in line with the pension regulations.
- the £95,000 exit cap had been abolished and previous regulations repealed, with changes coming into force from 12th March 2021. Those affected by the cap in the period between 4th November 2020 and 12th February 2021 when the Treasury first announced the new measures, were to be placed in the same position had the cap not been applied. It was expected that measures similar to the £95,000 cap would be reintroduced by the government over the coming months. The changes were likely to have minimal impact for Harrow Council and were not expected to make a significant difference to the Pension Team's workload. On the basis of the advice given by the Actuary, it had been agreed that the Council would remain with the Government Actuary's Department (GAD) factors;
- employers' data was currently being collected in respect of claims affected by the McCloud ruling, which was going to result in a significant workload for Harrow's Pension Team. Furthermore, the

government's approach in respect of other public sector pension schemes, posed a further challenge in that people affected were not required to make a decision on whether to have to new or old underpin applied until pension benefits crystallised which in some instances may not be for a number of years.

The Board thanked officers for the report and requested that an update on the Pension Ombudsman's decision as well as further details on the number of ill-health retirement cases and the causes of delay in calculation of ill-health benefits be provided in due course.

RESOLVED: That the report be noted.

99. Pension Board Members' Training

The Board received a report which set out the Pension Board's training arrangements for the next Municipal Year and sought Members' views on any specific training requirements.

Members welcomed the report, and, in the discussion which followed raised a number of questions and comments. It was agreed that:

- the Board be regularly updated on upcoming training opportunities, areas of interest and useful online resources;
- a quarterly report on the Pension Scheme Advisory Board be provided and used as a source for any important developments and relevant Pension Board training;
- training and learning resulting from Hyman Robertson's final governance report as agreed by the Pension Scheme Advisory Board SAB be included as part of the next Pension Board meeting scheduled for 1 July 2021 and an invitation extended to an appropriate Hyman Robertson's representative to attend;
- a report on the Pension Fund Conflict of Interest Policy be added to the agenda for the next Board meeting on 1 July 2021.

Board Members were also reminded of the training session on currency hedging around the Pension Fund's equity portfolio which was due to be held before the next Pension Fund Committee meeting on 24th March 2021.

RESOLVED: That the work programme be noted.

100. Pension Board Work Programme for Future Meetings

The Board received a report which reviewed the Pension Board's work to date, listing the forthcoming meetings dates, items for discussion and inviting comments on the work programme for the 2021/2022 Municipal Year

Members requested that officers undertake to check if there was a requirement for the risk register to be included as a standing item in future

agendas and reviewed at each Pension Board meeting and if so, have it added to the programme of reports.

Responding to a question on utilising Pension Fund money for local investments, the Director of Finance, who was also present in the virtual meeting, advised that the Fund's duty was to produce the best possible return and that due care was needed before investing any of these returns as they were not Council's own money and could be invested only in very specific funds. It was also explained that the role of the Pension Board was to worry about the governance aspect and how such investments could operate. It was suggested that a broader discussion on these issues could be held at an appropriate future meeting once the Pension Fund Investment Strategy had been reviewed.

RESOLVED: That the work programme be noted.

(Note: The meeting, having commenced at 6.33 pm, closed at 7.31 pm).

(Signed) Richard Harbord
Chair

Pension Board 8 July 2021

Note for Inclusion on Board Agenda –

Vacancy for Representative of Scheduled and Admitted Body employers

There has been a vacancy for a representative of the Scheduled and Admitted Bodies (often referred to as “non LBH employers”) since June 2018. A form has been received from Stanmore College, nominating one of their governors, Dr Simon Radford, to fill the vacancy. Officers have reviewed the nomination and confirm that Dr Radford is a suitable person to fill the vacancy.

The Council is required to appoint Board members, and accordingly a report recommending Dr Radford’s appointment will be considered by the Council at its next meeting on 30 September 2021.

Following consultation with the Chair of the Board, Dr Radford has been invited to attend this meeting as an observer.

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Report for: Pension Board

Date of Meeting:	8 July 2021
Subject:	Pensions Administration Update to 31 March 2021
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1: Pension Administration Performance Monitoring to 31 March 2021

Section 1 – Summary and Recommendations

This report summarises the performance of the Pensions Administration team for the quarter ended 31 March 2021.

Recommendations:

The Board is requested to note the report.

Section 2 – Report

1. Monitoring the service performance of the Fund is a key responsibility of the Board. The Board has been monitoring comparative pensions administration indicators since June 2017. This report provides information on performance to 31 March 2021.
2. The Pensions administration performance statistics measured against the national benchmarks for the Quarter to 31 March 2021 are set out in Appendix 1. The Board is invited to comment on this performance.
3. Table 1 below sets out the membership of the Pension Fund in the current year to 31 March 2021, with previous years to 31 March as a

comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

	31 March 2018	31 March 2019	31 March 2020	31 March 2021
Pensioners	5,760	5,795	6,004	6,182
Deferred	7,115	6,966	7,037	6,985
Active Members	5,557	5,400	5,410	5,410
% Active Members	30.1%	29.7%	29.3%	29.1%
Total	18,432	18,161	18,451	18,577

Requirement to Report Breaches of Law

4. The Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 20th September 2018.
5. There have been no known breaches of law in 2020-21 or in the current financial year to date.

Internal Disputes Cases and Complaints

6. No internal disputes or complaints have been raised since the previous report.
7. As reported to the Board's previous meeting, one complaint to the Pensions Ombudsman was received in December 2020. A response was sent to the Ombudsman in January 2021. This complaint related to a decision regarding ill health retirement taken in 2017 and followed a stage 2 appeal which was received and determined early in 2020. The Ombudsman's decision is still awaited.

Payment of Employer Contributions

8. Employer contributions are required to be paid in arrears by the 19th of each month. All employer contributions were paid on time in 2020-21 and in the year to date. Employers are contacted if payment has not been received by the due date.

Update on Legislation Changes (McCloud and Exit Cap)

9. The most recent ministerial announcement, on 13 May 2021, <https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26> sets out the broad principles which the Government intends to apply in implementing the judgement in the LGPS. However, it indicates that legislation will not be implemented until 1 April 2023. Once there is some certainty regarding the structure of the new Regulations, the LGPS software providers will be able to make the necessary changes.

10. However, work has begun to validate and where necessary to collect the data from employers. To complete this task Aquila Heywood are providing additional resource and assistance to the Team.

11. As reported to the last meeting, the “Exit Cap” Regulations were repealed in February 2021, and that measures to achieve this would be implemented later in 2021. On 28th May, The Government has issued Guidance on “Special Severance payments” to the rest of the public sector. A consultation in respect of the LGPS is expected shortly.

Other Matters

12. The Pensions Team Leader, Lesley Freebody, has retired with effect from 30 June 2021. At the time of writing this report a recruitment process is underway, and we expect to be in a position to advise on a successful outcome by the time of the Board’s meeting.

Legal Implications

13. There are no direct legal implications arising from this report.

Financial Implications

14. There will be a cost of engaging Aquila Heywood to assist in the collection of employer data in readiness to implement fully the McCloud Judgement when the new Regulations become available. This cost will be met from the Pension Fund.

Risk Management Implications

15. The Pension Fund’s Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The latest review is considered elsewhere on this agenda.

16. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

17. Was an Equality Impact Assessment carried out? No

18. There are no direct equalities implications arising from this report, although as the Committee is aware, the McCloud Judgement arose from a Equalities Claim against another public sector pension scheme.

Council Priorities

19. The performance of the Pension Fund 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

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/06/2021

Statutory Officer: Caroline Eccles

Signed on behalf of the Monitoring Officer

Date: 22/06/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 22/06/2021

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone 020 8736 6552

Background Papers: None

Appendix 1

Performance Monitoring 01/04/2020-31/03/2021

SERVICE	National Benchmarking Target	Harrow Achievement %	National Achievement %
Issue letter notifying of dependent's benefit	5 days	82.76	100
Calculation and notification of ill health estimate	10 days	100	100
Calculation and notification of retirement benefits estimate	10 days	94.87	100
Issue letter to new pension provider detailing transfer-out quote	10 days	100	100
Calculation and notification of deferred benefits	10 days	92.42	100
Calculation and notification of retirement benefits	5 days	100	100
Process refund and issue payment	5 days	100	100
Calculation and notification of ill health benefits	5 days	100	100
Issue statutory notification on receipt of transfer funds	10 days	100	100

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Report for: Pension Board

Date of Meeting:	8 July 2021
Subject:	Review of Pension Fund Committee Items
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	List Ward(s) affected by decision. Not applicable
Enclosures:	Appendix 1 – Pension Fund Valuation at 31 March 2021 Appendix 2 – Pension Fund Valuation at 31 May 2021 Appendix 3 - Pension Fund Committee notes (to follow)

Section 1 – Summary and Recommendations

This report summarises the matters considered by the Pension Fund Committee at its last meeting on 24 March 2021 and those to be considered at the meeting on 24 June 2021, and invites the Board to agree any comments they might wish to make to the Pension Fund Committee.

Recommendations:

The Board is requested to note the report and comment as necessary.

Section 2 – Report

1. The list of items considered by the Pension Fund Committee at its meeting on 24 March 2021 is summarised in the table below.

Report	Comments
Part I	
Pension Fund Communications Policy	The Policy, incorporating the Board's comments from its last meeting, was approved by the Committee.
Pension Fund Governance Compliance Statement	The Statement, incorporating the Board's comments from its last meeting, was approved by the Committee
Pensions Administration System Procurement	The Committee approved the arrangements for addressing the expiry of the existing contract in October 2021. These were subsequently agreed by the Cabinet in 15 th June 2021.
Performance Dashboard and Update on Regular items	The Committee considered the report, which summarised the position of the Fund at the end of Q4 2020 (31 December 2020) and agreed a draft work programme for the Committee for the 2021-22 municipal year.
Update on London CIV and Investment Pooling arrangements	The Committee noted the progress being made in regard to Investment Pooling.
Training Programme 2021-22	The Committee agreed a draft programme
Part II	
Investment Strategy Review	The Committee received a confidential report by the Director of Finance and Assurance on the next stages of the Investment Strategy Review and approved a number of recommendations to progress the Review.

2. A training session was held immediately before the Committee's meeting on 24th March 2021. Record Currency Management gave a presentation and answered questions about the way in which they carry out the currency hedging arrangements for the Fund's equity portfolio.
3. The timings for approval of reports mean that this report was written before the Committee's meeting on 24 June 2021. The table below summarises the items to be considered at that meeting

Report	Comments
Part I	
Draft Pension Fund Accounts for 2020-21	The Committee is recommended to approve the draft accounts for submission to the external auditor. They are reported elsewhere on the agenda for this meeting.

Review of Internal Controls at Investment managers	The Committee is asked to note the position and ask questions as necessary. The report appears elsewhere on the agenda for this meeting.
Review of Pension Fund Risk register	The Committee is asked to note and approve the changes to the Risk Register. The report appears elsewhere on the agenda for this meeting.
Performance Dashboard and Update on Regular items	The Committee is asked to consider the report, which summarises the position of the Fund at the end of Q1 2021 (31 March 2021), and the Investment Valuation at 30 April 2021, and to agree the draft work programme for the Committee for the rest of the 2021-22 municipal year.
Part II	
Investment Strategy Review	The Committee will consider a confidential report by the Director of Finance and Assurance, with Appendices prepared by Aon, on the next stages of the Investment Strategy Review, and be asked approve recommendations to progress the Review further.

4. The decisions taken at the Committee's meeting will be circulated before the Board meets.
5. The Fund's valuation at 31 March 2021 was £968m, as detailed in Appendix 1. During the first quarter of 2021, markets continued to be volatile, as illustrated by the fluctuating valuations at the end of each month.
6. 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 is 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 has improved since triennial valuation, despite the increase in the value of the Fund's liabilities which reflects the forecast yields on investments, because returns on investments have exceeded expectations in that period. The improvement in the most recent quarter is due to changes in yields during that period.
7. The Fund's valuation at 30 April 2021 and 31 May is shown at appendix 2 – it has increased further to £995.1m. During April, some rebalancing was carried out - £30m being 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. There have also been further drawdowns from the Fund's commitment to the LCIV Infrastructure Fund, totalling £1.1m.

8. For Board members' information, the dates set for meetings of the Pension Fund Committee for the remainder of the 2021-22 municipal year are as follows:
 - Monday 13th September 2021
 - Wednesday 24th November 2021
 - Wednesday 9th March 2022

All of these meetings are currently scheduled to start at 6.30pm. It is currently intended that a training session will be held, before each Pension Fund Committee meeting, beginning at beginning at 5.30pm. All Board members are welcome to attend both the training sessions and the meetings. The meetings will continue to be held in hybrid form, with only the voting members and some officers "physically present" with others joining via Microsoft Teams until it is possible for fully "in person" meetings to be held.

Legal Implications

9. There are no direct legal implications arising from this report.

Financial Implications

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

Risk Management Implications

11. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The latest review is considered elsewhere on this agenda.
12. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy

Equalities implications / Public Sector Equality Duty

13. Was an Equality Impact Assessment carried out? No

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

Council Priorities

15. The performance of the Pension Fund 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

Statutory Officer: Dawn Calvert

Signed on by the Chief Financial Officer

Date: 21/06/2021

Statutory Officer: Caroline Eccles

Signed on behalf of the Monitoring Officer

Date: 22/06/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 21/06/2021

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone: 020 8736 6552

Background Papers: None

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Asset Class	Fund Valuation and Performance														Allocation 31.03.2021 %	Strategic Allocation %	Strategic Range %
	March 2020 to March 2021																
	Value 31.03.2020 £'000	Value 30.04.2020 £'000	Value 31.05.2020 £'000	Value 30.06.2020 £'000	Value 31.07.2020 £'000	Value 31.08.2020 £'000	Value 30.09.2020 £'000	Value 31.10.2020 £'000	Value 30.11.2020 £'000	Value 31.12.2020 £'000	Value 31.01.2021 £'000	Value 28.02.2021 £'000	Value 31.03.2021 £'000				
Global Equities																	
				£3.5m Withdrawal										*			
LCIV - Longview (Aug17)	91,705	100,433	106,334	104,930	99,234	104,154	103,154	98,878	112,334	113,154	107,141	112,863	120,618	*	12	10	
LCIV - Blackrock (Sep18)	177,589	193,373	206,006	212,704	210,809	220,937	219,973	214,499	233,486	238,633	236,331	237,673	247,575		26	24	
LCIV - RBC (Sust Eqty)	0	0	0	0	0	0	0	0	0	0	23,516	66,059	67,238		7		
Oldfields	57,376	60,458	62,539	64,305	60,518	62,610	60,905	58,197	65,279	68,840	44,377	0	0		0	8	
GMO	67,577	71,242	73,472	78,801	81,408	83,567	83,766	84,637	87,024	90,823	92,777	91,245	89,731		9	8	
Record passive currency hedge	-4,760	-2,472	-5,681	-6,099	7,394	10,148	5,140	3,035	7,437	10,280	5,945	9,324	8,136		1		
Total Global Equities	389,487	423,032	442,670	454,641	459,364	481,416	472,937	459,246	505,561	521,730	510,087	517,164	533,298	55	50	45-55	
														Inc Hedging			
Diversifying Return Assets																	
				£3.25m withdrawal										**			
Diversified Growth Fund - Insight	90,414	92,886	93,616	94,883	93,682	94,744	93,399	93,043	97,379	99,381	99,399	99,037	99,827	**	10		
Property - LaSalle	64,139	63,616	63,155	61,737	61,561	61,414	60,985	60,928	61,168	61,312	61,560	61,577	61,561		6	16.5	
Infrastructure - LCIV Infrastructure	700	4,639	4,639	4,639	4,639	4,639	4,639	6,390	6,390	10,787	16,374	16,647	16,099		2	7.5	
Private Equity - Pantheon	8,025	8,025	8,025	7,834	7,834	7,834	7,994	7,994	7,994	8,614	8,614	8,614	6,989		1	1	
Total Diversifying Return Assets	163,280	169,166	169,435	169,093	167,717	168,631	167,017	168,355	172,930	180,094	185,947	185,875	184,476	19	25	20-30	
Risk Control Assets																	
Bonds - Blackrock - FI	87,635	96,636	97,405	100,277	102,067	98,965	101,168	100,869	103,141	106,203	103,738	97,428	97,538		10	10	
Bonds - Blackrock - IL	23,827	24,290	25,486	25,866	25,838	24,387	25,923	25,958	25,732	26,048	25,210	23,768	24,823		3	3	
MAC - LCIV MAC Fund	80,816	84,834	88,309	91,102	92,448	93,738	94,199	94,383	97,793	99,176	96,595	100,749	101,226		10	12	
Total Risk Control Assets	192,278	205,760	211,200	217,245	220,352	217,090	221,289	221,210	226,666	231,427	225,544	221,944	223,586	23	25	20-30	
Cash & NCA																	
Cash Managers (Blackrock)	25,128	25,141	25,149	25,157	25,163	25,168	25,171	23,423	23,424	19,025	12,725	12,726	12,726				
Cash NatWest	2,879	1,269	611	2,657	7,773	4,843	2,412	2,796	2,796	3,368	3,568	3,755	4,399				
Cash Custodian (JP Morgan)	3,026	2,690	2,689	2,689	27	27	27	2,187	2,187	2,186	7,951	7,950	7,949				
Blackrock Dividends (Pending Reinvestment)	0	734	734	0	742	742	0	732	732	0	729	729	0				
Debtors and Creditors	1,739	1,674	1,775	136	-1,066	1,851	1,919	1,749	1,749	1,895	2,118	471	1,401				
CIV Investment	150	150	150	150	150	150	150	150	150	150	150	150	150				
Total Net Current Assets	32,921	31,659	31,108	30,789	32,789	32,781	29,678	31,037	31,038	26,623	27,241	25,781	26,625	3	0		
Total Assets	777,966	829,617	854,414	871,768	880,222	899,918	890,922	879,848	936,195	959,874	948,818	950,764	967,984	100	100		
	(SOA 19/20)																

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Fund Valuation and Performance

March 2021 to March 2022

Asset Class	Value 31.03.2021 £'000	Value 30.04.2021 £'000	Value 31.05.2021 £'000	Allocation 31.05.2021 %	Strategic Allocation %	Strategic Range %
Global Equities						
LCIV - Global Equity Focus Fund	120,618	117,880	117,743	12	10	
LCIV - Blackrock	247,575	247,596	245,542	25	24	
LCIV - Sustainable Equity Fund	67,238	70,905	70,967	7	8	
GMO	89,731	81,215	80,238	8	8	
Record passive currency hedge	8,136	2,255	4,608	0		
Total Global Equities	533,298	519,851	519,098	52	50	45-55
				Inc Hedging		
Diversifying Return Assets						
Diversified Growth Fund - Insight	99,827	101,883	102,842	10	} 16.5	
Property - LaSalle	61,561	61,717	61,821	6		
Infrastructure - LCIV Infrastructure	16,099	16,735	17,200	2		7.5
Private Equity - Pantheon	6,989	6,989	6,989	1		1
Total Diversifying Return Assets	184,476	187,324	188,852	19	25	20-30
Risk Control Assets						
Bonds - Blackrock - FI	97,538	98,019	97,839	10	5	
Bonds - Blackrock - IL	24,823	24,925	25,465	3	5	
Bonds - LCIV Global Bond Fund	0	9,994	20,090	2	5	
MAC - LCIV MAC Fund	101,226	102,084	102,657	10	10	
Total Risk Control Assets	223,586	235,022	246,050	25	25	20-30
Cash & NCA						
Cash Managers (Blackrock)	12,726	12,726	12,727			
Cash NatWest	4,399	23,084	11,888			
Cash Custodian (JP Morgan)	7,949	13,601	13,600			
Blackrock Dividends (Pending Reinvestment)	0	695	695			
Debtors and Creditors	1,401	1,467	2,024			
CIV Investment	150	150	150			
Total Net Current Assets	26,625	51,723	41,084	4	0	
Total Assets	967,984	993,920	995,083	100	100	
Assets Pooled						
- LCIV Funds	31.5%	32.0%	33.0%			
- Other (Passive) Funds - Regarded as Pooled	25.6%	24.9%	24.7%			
Total % Pooled	57.1%	56.9%	57.7%			

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Report for: Pension Board

Date of Meeting:	8 July 2021
Subject:	Draft Pension Fund Accounts for 2020-21
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Draft Pension Fund Accounts for 2020-21

Section 1 – Summary and Recommendations

This report presents the draft Pension Fund Financial Statements for the year ended 31 March 2021 on which the Board's comments are invited.

Recommendations:

The Board is recommended to note the report and the draft accounts which the Pension Fund Committee has approved for submission to the external auditors.

Section 2 – Report

1. The Board will recall that 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. At the time of writing this report, the formal sign-off was still awaited. Whilst this is unsatisfactory, this position is not unique to Harrow – a number of London Boroughs and other Councils are 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 has again been changed by the Government in the light of the Covid-19 pandemic. The deadline for completing the Audit of Accounts has been extended to 30 September 2021. The audit will again be carried out by the Council's auditor, Mazars.
3. At the time of writing this report, the auditor had not yet issued a detailed external audit plan for this year's Pension Fund accounts audit.
4. The audited Pension Fund Annual report is required to be published by 1 December 2021 – this requirement has not changed. The draft annual report is currently being prepared, will be taken to the Pension Fund Committee's next meeting on 12 September 2021, and the Board's next meeting on 30 September 2021.
5. Approval of the Council's draft accounts, including those for the Pension fund, will be sought from GARMS Committee on 13 July 2021. The statutory "period of inspection" will begin during July 2021. The outcome of the audit will be reported to the GARMS Committee at its meeting on 23 September 2021, which will approve the audited accounts.
6. The draft Pension Fund Financial Statements for the year ended 31 March 2021 are enclosed as appendix 1.
7. The Committee should be aware that Note 23 is incomplete, as information from the AVC providers is still awaited at the time of writing this report. This does not affect the Pension Fund's key financial statements as scheme members' AVC's are held and invested outside of the Fund.
8. To assist in the Committee's consideration of this matter they are advised of the following key points:

- Fund Revenue Account

During the year 2020-21, the net assets of the Fund increased from £778m to £968m. This reflects the recovery of financial and investment markets which took place following the large fall in the last quarter of the previous financial year as the Covid-19 pandemic developed.

- The Harrow annual return performance has been as follows:

	Annual Performance (%)	Benchmark (%)
1 year	24.9	23.9
3 years	6.3	8.5
5 years	9.1	10.6

The outperformance against benchmark in 2021-22 follows a follows a significantly worse negative performance in 2019-20 (Fund performance of -8.2% compared with a benchmark of -3.2%). The 2019-20 position is reflected in the 3 and 5 year figures.

- Accounts for year ended 31 March 2021

	£m
Contributions by members and employers (including transfers)	-36.8
Benefits paid (including transfers)	39.5
Investment income	-6.7
Management expenses (including fees charged by investment managers of £3.8m)	5.2
Profits on sales an increase in market value of investments	-191.4

- Scheme Overview

Number of pensioners has increased from 5,750 in 2017-18 to 6,182 in 2020-21.

Number of deferred pensioners has increased from 7,115 in 2017-18 to 6,985 in 2020-21.

Number of active members decreased from 5,537 in 2017-18 to 5,410 in 2020-2021.

The Fund continues to mature in that benefit payments exceed contributions. 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 stable 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.

Legal Implications

9. There are no direct legal implications arising from this report.

Financial Implications

10. Whilst 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 there are no impacts arising directly from this report.

Risk Management Implications

11. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The latest review is considered elsewhere on this agenda.
12. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

Equalities implications / Public Sector Equality Duty

13. Was an Equality Impact Assessment carried out? No
There are no direct equalities implications arising from this report.

Council Priorities

14. The performance of the Pension Fund 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

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/06/2021

Statutory Officer: Chris Cuckney

Signed on behalf of the Monitoring Officer

Date: 22/06/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 21/06/2021

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone 020 8736 6552

Background Papers: None

London Borough of Harrow Pension Fund

Financial Statements for the year ended 31 March 2021

Draft for Pension Fund Committee 24 June 2021



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 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 2021 and its income and expenditure for the year then ended.



Dawn Calvert – CPFA
Director of Finance
Date to be confirmed

Harrow Pension Fund Account as at 31 March 2021

2019-20		Notes	2020-21
£'000			£'000
	Dealings with members, employers and others directly involved in the fund		
(34,229)	Contributions	7	(34,661)
(1,366)	Transfers in from other pension funds	8	(2,027)
(70)	Other income		(89)
(35,665)			(36,777)
35,905	Benefits	9	35,592
2,470	Payments to and on account of leavers	10	3,908
0	Other Expenditure		0
38,375			39,500
2,710	Net (additions)/withdrawals from dealings with members		2,723
5,405	Management expenses	11	5,155
8,115	Net (additions)/withdrawals including fund management expenses		7,878
	Return on investments		
(9,059)	Investment income	12	(6,745)
74,518	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	(191,359)
65,459	Net return on investments		(198,104)
73,574	Net (increase)/decrease in the net assets available for benefits during the year		(190,226)
(851,332)	Opening net assets of the scheme		(777,758)
(777,758)	Closing net assets of the scheme		(967,984)

Net Assets Statement as at 31 March 2021

31 March 2020		Notes	31 March 2021
£'000			£'000
	Investment assets		
749,955	Investments	14	933,374
1,092	Derivative contracts	14	9,083
28,153	Cash with investment managers	14	20,675
779,200			963,132
2,641	Cash deposits	14	4,399
781,841			967,531
	Investment liabilities		
(5,852)	Derivative contracts	14	(947)
775,989			966,584
2,005	Current assets	21	1,662
0	Long Term Debtors	21A	140
777,994			968,386
(236)	Current liabilities	22.00	(402)
777,758	Net assets of fund available to fund benefits at the period end		967,984

The accounts summarise the transactions of the Fund and deal with the net assets. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed at note 20.

D. Calvert

Dawn Calvert – CPFA
Director of Finance
Date to be confirmed

Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2021

NOTE 1: DESCRIPTION OF FUND

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 2016.

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.

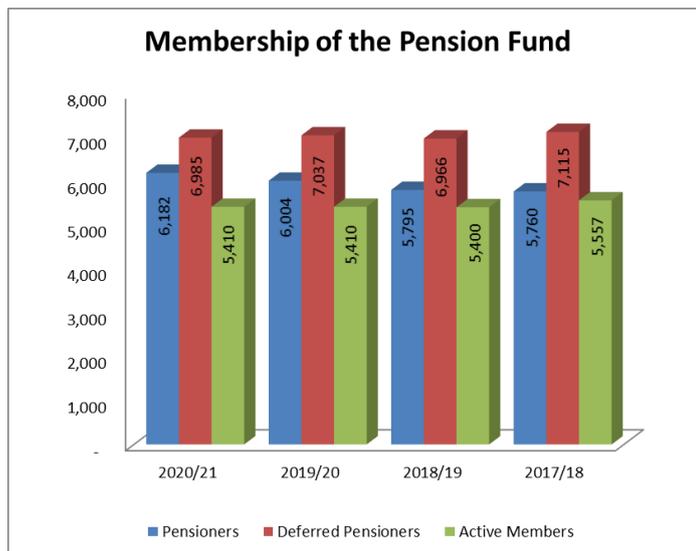
b) Membership

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 include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

There are 43 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	5797	5764	3605	15,166	81.64
Stanmore College	Scheduled Body	91	154	78	323	1.74
Nower Hill High School	Scheduled Body	27	149	141	317	1.71
Heathland and Whitefriars	Scheduled Body	11	81	182	274	1.47
Hatch End High School	Scheduled Body	31	134	68	233	1.25
Rooks Heath College	Scheduled Body	22	98	109	229	1.23
Park High School	Scheduled Body	12	84	103	199	1.07
Canons High School	Scheduled Body	16	75	98	189	1.02
Bentley Wood School	Scheduled Body	9	91	59	159	0.86
Harrow High School	Scheduled Body	13	58	64	135	0.73
St Dominics College	Scheduled Body	41	37	55	133	0.72
Aylward Primary School	Scheduled Body	7	33	70	110	0.59
Salvatorian Academy	Scheduled Body	21	52	18	91	0.49
Priestmead School	Scheduled Body	3	5	79	87	0.47
Pinner High Academy	Scheduled Body	0	7	73	80	0.43
St Georges Primary	Scheduled Body	3	6	67	76	0.41
St John Fisher	Scheduled Body	2	4	60	66	0.36
St Josephs Primary	Scheduled Body	2	4	55	61	0.33
Earlsmead Academy	Scheduled Body	6	9	40	55	0.30
Welldon Park School	Scheduled Body	2	4	43	49	0.26
St Bernadettes	Scheduled Body	5	5	31	41	0.22
Alexandra Academy	Scheduled Body	2	16	22	40	0.22
Sacred Heart High School	Scheduled Body	2	6	31	39	0.21
Avanti House Secondary School	Scheduled Body	0	3	35	38	0.20
St Jerome	Scheduled Body	1	1	33	35	0.19
Avanti House Primary School	Scheduled Body	1	12	21	34	0.18
Krishna Avanti Academy	Scheduled Body	0	16	18	34	0.18
Jubilee Academy	Scheduled Body	0	16	16	32	0.17
Moriah Jewish School	Scheduled Body	9	5	7	21	0.11
Avanti School Trust	Scheduled Body	0	2	7	9	0.05
Hujjat Primary School	Scheduled Body	0	0	6	6	0.03
NLCS	Community Admission Body	40	46	50	136	0.73
Busy Bee	Admitted Body	0	0	1	1	0.01
Evergreen Aylward	Admitted Body	0	0	3	3	0.02
Evergreen LBH	Admitted Body	0	0	3	3	0.02
PSC Ltd	Admitted Body	0	0	4	4	0.02
Evergreen Harrow High	Admitted Body	0	0	5	5	0.03
Govindas	Admitted Body	0	3	2	5	0.03
Wates (Linbrook)	Admitted Body	1	0	4	5	0.03
SOS Ltd	Admitted Body	0	0	7	7	0.04
Sopria Steria	Admitted Body	4	4	4	12	0.06
ISS Catering	Admitted Body	1	1	13	15	0.08
Evergreen	Admitted Body	0	0	20	20	0.11
Total		6,182	6,985	5,410	18,577	100

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.

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 2019 and showed that the Fund was 94% funded. The deficit is to be recovered 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 18.0% to 26.5% of pensionable pay with the largest employers paying between 19.3% and 20.1%.

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 (CARE) scheme, whereby members accrue benefits based on their pensionable pay in each year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 5.

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2020-21 financial year and its position as at 31 March 2021. The Accounts have been prepared on a going concern basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2020-21' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards 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 3: 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 2013 (see notes 8 and 10).

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 and are included in transfers in (see note 8).

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. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- 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 if 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 Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

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 relating to the oversight and governance of the Fund's investments 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 investment 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 values of these investments change

Where an investment manager's fee invoice or fee information 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 2020-21.

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 at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification

guidelines recommended in 'Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)'

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares.

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. (See note 15)

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 20).

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 (1)(b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

g) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

h) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Accounting Standards Issued but not yet fully adopted

The following accounting policy changes are not yet reflected in the 2020-21 Code of Practice. They are not therefore reflected in the Pension Fund Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17) will be implemented in 2022-23;
- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.

These actuarial revaluations are used to set the future employer contributions rates and underpin the Fund's most significant management 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.

NOTE 5: 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 2021 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 (Note 20)	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.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> • a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £124.56m • a 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £8.78m • a 0.5% increase in Pension benefits would increase the liability by approximately £113.41m
Private equity (Note 16C)	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £7m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.
Fair value – basis of valuation (Note 16)	In March 2020, the outbreak of Covid-19 had a significant impact on global financial markets, although there was a recovery during the second half of 2020 which has continued in the quarter to 31 March 2021. As at the valuation date, it is considered that less weight can be attached to previous market evidence to inform opinions of value on level 3 investments. Consequently, less certainty and a higher degree of caution should be attached to level 3 valuations. Whilst there is some evidence of economic recovery, at the current time, it is not possible to predict accurately the long term impact of Covid-19, particularly on property investments in some locations and sectors of the economy. Values have been based on the situation prior to Covid-19 on the assumption that values will be restored once global markets recover.	Any reduction in investment values will result in a reduction in the Fund's net asset position.
Pooled Property Fund	Revaluation of Pension Fund assets within the pooled property funds are undertaken by the asset managers using professional valuers as set out in the fund agreements. The outbreak of Covid-19 has impacted global markets and therefore our fund managers have advised that valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight can be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – should be attached to valuations of pooled property fund assets than would normally be the case.	The total property pooled investments in the financial accounts are £61.56m. There is a risk that these investments may be understated or overstated in the accounts. A 5% decrease in value would decrease the total valuation by £3.078m.

NOTE 6: 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 that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2020-21.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

2019-20		2020-21
£'000		£'000
(7,162)	Employees' contributions	(7,402)
	Employers' contributions:	
(18,643)	Normal contributions	(18,995)
(8,211)	Deficit recovery contributions	(8,192)
(213)	Pension strain contributions	(72)
(27,067)	Total employers' contributions	(27,259)
(34,229)	Total contributions receivable	(34,661)

By type of employer

2019-20		2020-21
£'000		£'000
(26,159)	Administering Authority	(26,336)
(7,131)	Scheduled bodies	(7,385)
(777)	Community admission body	(796)
(162)	Transferee admission bodies	(144)
(34,229)		(34,661)

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2019-20		2020-21
£'000		£'000
0	Group transfers	0
(1,366)	Individual transfers	(2,027)
(1,366)		(2,027)

NOTE 9: BENEFITS PAYABLE

By category

2019-20		2020-21
£'000		£'000
29,973	Pensions	30,791
4,999	Commutation and lump sum retirement benefits	4,097
933	Lump sum death benefits	704
35,905		35,592

By type of employer

2019-20		2020-21
£'000		£'000
33,753	Administering Authority	33,505
1,906	Scheduled bodies	1,711
202	Community admission body	313
44	Transferee admission bodies	63
35,905		35,592

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2019-20		2020-21
£'000		£'000
125	Refunds to members leaving service	43
0	Group transfers	228
2,345	Individual transfers	3,637
2,470		3,908

NOTE 11: MANAGEMENT EXPENSES

2019-20		2020-21
£'000		£'000
721	Administrative costs	713
4,050	Investment management expenses	3,840
634	Oversight and governance costs	602
5,405		5,155

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2020-21	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	2,012	1,767	245
Pooled Investments - Alternatives	926	848	78
Pooled Investments - Other	841	771	70
Derivatives	51	51	0
Custodian	10	0	10
	3,840	3,437	403

2019-20	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	2,059	1,653	406
Pooled Investments - Alternatives	1,024	927	97
Pooled Investments - Other	904	825	79
Derivatives	52	52	0
Custodian	10	0	10
	4,050	3,457	593

NOTE 12: INVESTMENT INCOME

2019-20		2020-21
£'000		£'000
(3,882)	Pooled Investments - Private equity	(2,899)
(2,026)	Pooled Investments - Property	(859)
(3,151)	Pooled investments - Other	(2,987)
(9,059)		(6,745)

NOTE 13: EXTERNAL AUDIT COSTS

2019-20		2020-21
£'000		£'000
(16)	Payable in respect of external audit	(19)
(16)		(19)

NOTE 14: INVESTMENTS

Market value		Market value
31 March 2020		31 March 2021
£'000		£'000
	Investment assets	
394,247	Pooled equities investments	525,161
111,463	Pooled bonds investments	122,361
171,230	Pooled alternative investments	201,053
700	Pooled infrastructure	16,099
677,641		864,674
64,140	Pooled property investments	61,561
150	Equity in London CIV	150
8,025	Private equity	6,989
1,092	Derivative contracts: forward currency	9,083
28,153	Cash with investment managers	20,675
779,200		963,132
2,641	Cash deposits	4,399
781,841	Total investment assets	967,531
	Investment liabilities	
(5,852)	Derivative contracts: forward currency	(947)
(5,852)	Total investment liabilities	(947)
775,989	All investments	966,584

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2020	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 2021
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	394,247	68,000	(75,447)	138,361	525,161
Pooled bonds investments	111,463	2,937	(70)	8,031	122,361
Pooled alternative investments	171,230	0	(4,271)	34,094	201,053
Pooled property investments	64,140	0	(258)	(2,321)	61,561
Pooled infrastructure	700	16,227		(828)	16,099
Equity in London CIV	150	0		0	150
Private equity	8,025	0	(303)	(733)	6,989
Derivative contracts: forward currency	(4,760)	6,069	(7,928)	14,755	8,136
	745,195	93,233	(88,277)	191,359	941,510
Cash with investment managers	28,153				20,675
Cash deposits	2,641				4,399
	30,794				25,074
Net investment assets	775,989				966,584

	Market value 31 March 2019	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 2020
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	467,263	0	(33,102)	(39,914)	394,247
Pooled bonds investments	108,159	3,062	(39)	281	111,463
Pooled alternative investments	191,029	95,000	(96,850)	(17,949)	171,230
Pooled property investments	68,171		(426)	(3,605)	64,140
Pooled infrastructure	0	700			700
Equity in London CIV	150				150
Private equity	11,522		(249)	(3,248)	8,025
Derivative contracts: forward currency	756	7,932	(3,365)	(10,083)	(4,760)
	847,050	106,694	(134,031)	(74,518)	745,195
Cash with investment managers	45				28,153
Cash deposits	3,068				2,641
	3,113				30,794
Net investment assets	850,163				775,989

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2020	Percentage of Fund	Manager	Investment assets	Market value 31 March 2021	Percentage of Fund
£'000	%			£'000	%
Investments managed by London CIV					
91,705	12	LCIV - Longview	Developed world equities-active	120,618	12
80,816	10	LCIV - CQS	Multi Asset Credit	101,226	10
0	0	LCIV - RBC	Sustainable Equities	67,238	7
700	0	LCIV	Infrastructure	16,099	2
177,589	23	BlackRock	Global equities-passive	247,574	26
350,810	45		Total LCIV	552,755	57
Investments managed outside of the London CIV					
64,140	8	LaSalle	Pooled property	61,561	6
25,128	3	BlackRock	Cash with investment managers	12,726	1
87,635	11	BlackRock	Fixed interest securities	97,538	10
23,828	3	BlackRock	Index-linked securities	24,823	3
2,641	0	Cash Deposits	Cash with Banks	4,399	1
67,577	9	GMO	Emerging markets equities-active	89,731	9
90,414	12	Insight	Diversified growth fund	99,827	10
3,025	0	JP Morgan	Cash with investment managers	7,949	1
150	0	LCIV	UK equities-passive	150	0
57,376	7	Oldfield	Developed world equities-active	0	0
8,025	1	Pantheon	Private equity	6,989	1
(4,760)	(1)	Record	Forward currency contracts	8,136	1
425,179	55		Total - Managers	413,829	43
775,989	100		Total Investments	966,584	100

NOTE 14C: INVESTMENTS MORE THAN 5% of the net assets of the Fund:

Market value 31 March 2020	% of total fund	Investment assets	Market value 31 March 2021	% of total fund
£'000			£'000	
90,414	12	Insight Broad Opportunities Fund	99,827	10
91,705	12	LCIV LV Global Equity Fund (Longview)	120,618	12
80,816	10	LCIV Multi Asset Credit (CQS)	101,226	10
87,635	11	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	97,538	10
67,577	9	GMO Emerging Domestic Opportunities Equity Fund	89,731	9
64,140	8	LaSalle Investors UK Real Estate Fund of Funds	61,561	6
57,376	7	Overstone Global Equity CCF (USD Class A1 Units)	0	0
177,589	23	Blackrock Equity Beta Portfolio	247,574	26
0	0	LCIV Sustainable Equity Fund (RBC)	67,238	7
717,252	92	Total over 5% holdings	885,312	90

NOTE 14D: STOCK LENDING

Within the Investment Strategy Statement stock lending is permitted within pooled funds. At present, use of this facility is restricted to the Blackrock Portfolio.

The Blackrock lending programme covers equity and fixed income assets around the world and is designed to generate incremental returns for investors with appropriate risk controls.

The programme benefits from a counterparty default indemnity from Blackrock pursuant to its Securities Lending Authorisation Agreement

Value of Stock on Loan as at 31 March 2021 £24.4m (6.60%) compared to £23.8m (8.24%) as at 31 March 2020.

NOTE 15: 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.

Analysis of 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	HKD	59,575	GBP	(5,546)	9	
Up to one month	NOK	2,176	GBP	(185)	0	
Up to one month	SGD	632	GBP	(341)	0	
One to six months	GBP	4,509	AUD	(8,056)	60	
One to six months	GBP	3,281	CAD	(5,689)	1	
One to six months	GBP	9,718	CHF	(12,174)	330	
One to six months	GBP	1,395	EUR	(1,540)	83	
One to six months	CAD	2,038	GBP	(1,151)	24	
One to six months	GBP	4,564	HKD	(47,982)	90	
One to six months	GBP	743	JPY	(104,200)	59	
One to six months	GBP	187	NOK	(2,176)	2	
One to six months	GBP	189	NZD	(364)	4	
One to six months	GBP	2,094	SEK	(24,146)	84	
One to six months	GBP	369	SGD	(663)	12	
One to six months	GBP	7,769	USD	(10,574)	104	
Over six months	GBP	37,757	EUR	(42,267)	1,686	
Over six months	GBP	20,731	JPY	(2,930,800)	1,489	
Over six months	GBP	190,907	USD	(256,467)	5,046	
Up to one month	NZD	182	GBP	(93)		(0)
Up to one month	CAD	5,689	GBP	(3,282)		(1)
Up to one month	SEK	12,073	GBP	(1,005)		(1)
Up to one month	CHF	5,591	GBP	(4,310)		(3)
Up to one month	AUD	4,028	GBP	(2,234)		(9)
Up to one month	EUR	12,418	GBP	(10,594)		(13)
Up to one month	JPY	790,200	GBP	(5,209)		(24)
Up to one month	USD	96,379	GBP	(70,065)		(200)
One to six months	CAD	192	GBP	(111)		(1)
One to six months	CHF	992	GBP	(830)		(66)
One to six months	EUR	5,684	GBP	(4,917)		(70)
One to six months	GBP	4,567	CAD	(7,919)		(1)
One to six months	GBP	6,602	HKD	(71,168)		(34)
One to six months	GBP	185	NOK	(2,176)		(1)
One to six months	GBP	341	SGD	(632)		(1)
One to six months	GBP	15,609	USD	(22,096)		(406)
One to six months	JPY	664,400	GBP	(4,425)		(64)
One to six months	SGD	31	GBP	(17)		(1)
Over six months	EUR	869	GBP	(792)		(51)
Open forward currency contracts at 31 March 2021					9,083	(947)
Net forward currency contracts at 31 March 2021						8,136
<u>Prior year comparative</u>						
Open forward currency contracts at 31 March 2020					1,092	(5,852)
Net forward currency contracts at 31 March 2020						(4,760)

NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the most appropriate price available at the reporting date

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Market quoted investments including pooled funds for global equities and diversified growth funds	Level 1	Published market price or other value ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Pooled Investment - Multi asset credit	Level 2	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Not required	Not required
Pooled investments - property funds	Level 3	Closing bid price where bid and offer prices are published	Net Asset Value-based pricing set on a forward pricing basis	Not required
Pooled investments - Infrastructure	Level 3	Valued by Fund Managers	Manager valuation statements are prepared in accordance with ECVA guidelines	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation</i> (2012)	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2021 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2021	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	7.47%	6,989	7,511	6,467
Pooled investments - Infrastructure	7.11%	16,099	17,243	14,954
Pooled investments - property funds	2.20%	61,561	62,913	60,209
		84,649	87,667	81,630

	Assessed valuation range (+/-)	Valuation at 31 March 2020	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	9.10%	8,025	8,755	7,295
Pooled investments - property funds	1.90%	64,140	65,359	62,921
		72,165	74,114	70,216

NOTE 16A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities 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 securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities 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.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The following table provides 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 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled equities investments	525,161			525,161
Pooled bonds investments	122,361			122,361
Pooled alternative investments	99,827	101,226		201,053
Pooled property investments			61,561	61,561
Pooled infrastructure			16,099	16,099
Private equity			6,989	6,989
Derivative contracts: forward currency		8,136		8,136
Cash Deposits / Other	25,074	150		25,224
Total	772,423	109,512	84,649	966,584

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled equities investments	394,247			394,247
Pooled bonds investments	111,463			111,463
Pooled alternative investments	90,414	80,816		171,230
Pooled property investments			64,140	64,140
Pooled infrastructure			700	700
Private equity			8,025	8,025
Derivative contracts: forward currency		(4,760)		(4,760)
Cash Deposits / Other	30,794	150		30,944
Total	626,918	76,206	72,865	775,989

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

None

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2020/21	Market Value 31 March 2020	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/(losses)	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Private Equity	8,025	0	0	0	(303)	(733)	6,989
Pooled - Infrastructure	700	0	0	16,227	0	(828)	16,099
Pooled - property	64,140	0	0	0	(258)	(2,321)	61,561
	72,865	0	0	16,227	(561)	(3,882)	84,649

Period 2019/20	Market Value 31 March 2019	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Private Equity	11,522	0	0	0	(249)	(3,248)	8,025
Pooled - Infrastructure	0	0	0	700	0	0	700
Pooled - property	68,171	0	0	0	(426)	(3,605)	64,140
	79,693	0	0	700	(675)	(6,853)	72,865

NOTE 17: FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2020			31 March 2021		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
394,247	0	0	525,161	0	0
111,463	0	0	122,361	0	0
171,230	0	0	201,053	0	0
700	0	0	16,099	0	0
64,140	0	0	61,561	0	0
150	0	0	150	0	0
8,025	0	0	6,989	0	0
1,092	0	0	9,083	0	0
0	32,083	0	0	26,109	0
0	716	0	0	767	0
751,047	32,799	0	942,457	26,876	0
Financial liabilities					
(5,852)	0	0	(947)	0	0
0	0	(236)	0	0	(402)
(5,852)	0	(236)	(947)	0	(402)
745,195	32,799	(236)	941,510	26,876	(402)
777,758			967,984		
Grand Total					

NOTE 18: 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 a regular basis.

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 equities 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.

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 advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

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.

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

Assets type	Potential market movements (+/-) %
Equities	14.20
Bonds	7.70
Alternatives	7.10
Pooled Property	2.20
Private Equity	7.50

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 2021	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	533,297	14.20	609,025	457,569
Pooled bond investments	122,361	7.70	131,783	112,939
Pooled alternative investments	201,053	7.10	215,328	186,778
Pooled property investments	61,561	2.20	62,915	60,207
Private Equity	6,989	7.50	7,513	6,465
Pooled Infrastructure	16,099	7.10	17,242	14,956
Equity - London CIV	150	0.00	150	150
Total	941,510		1,043,956	839,064

Asset type	Value as at 31 March 2020	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	389,487	12.00	436,225	342,749
Pooled bond investments	111,463	6.90	119,154	103,772
Pooled alternative investments	171,230	6.30	182,017	160,443
Pooled property investments	64,140	1.90	65,359	62,921
Private Equity	8,025	9.10	8,755	7,295
Pooled Infrastructure	700	0.00	700	700
Equity - London CIV	150	0.00	150	150
Total	745,195		812,361	678,030

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 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 Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 and the impact of a 1% movement in interest rates are as follows:

Assets exposed to interest rate risk	Carrying amount as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	25,074	0	25,074	25,074
Fixed interest securities	97,538	975	98,513	96,562
Total change in assets available	122,612	975	123,587	121,636

Assets exposed to interest rate risk	Carrying amount as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	30,794	0	30,794	30,794
Fixed interest securities	87,635	876	88,511	86,759
Total change in assets available	118,429	876	119,305	117,553

This analysis demonstrates that changes in interest rates do not impact on the value of cash and 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.

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.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 7.1%

A 7.1% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

The Fund is now invested in the LCIV Global Bond. The underlying manager hedges currency exposure within its mandate.

Currency Exposure - asset type	Asset Value as at 31 March 2021	Change to net assets	
	£'000	+7.1%	-7.1%
		£'000	£'000
Overseas Pooled Equities	496,012	531,229	460,795

Currency Exposure - asset type	Asset Value as at 31 March 2020	Change to net assets	
	£'000	+7.4%	-7.4%
		£'000	£'000
Overseas Pooled Equities	367,462	394,655	340,270

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 2021 was £25.1m (31 March 2020: £30.8m). This was held with the following institutions.

Summary	Balances at 31 March 2020	Balances at 31 March 2021
	£'000	£'000
Bank accounts		
Royal Bank of Scotland	2,641	4,399
JP Morgan	3,025	7,949
BlackRock	25,128	12,726
	30,794	25,074

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 into cash. As at 31 March 2021 the value of illiquid assets was £84.6m. This represented 8.76% of the total Fund assets (31 March 2020: £72.9m).

Refinancing risk

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

NOTE 19: 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 2019. The next valuation takes place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers)
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; 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 2019 actuarial valuation, the Fund was assessed as 94% funded (74% at the March 2016 valuation). This corresponded to a deficit of £52m (2016 valuation: £228m).

Contribution increases are being phased in over the 3 years' ending 31 March 2023.

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer.

The valuation of the Fund has been undertaken using the projected unit method under which the salary 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

Other financial assumptions	2016 %	2019 %
Price inflation (CPI)	2.1	2.3
Salary increases	2.4	3.0
Pension increases	2.1	2.3
Funded basis discount rate	3.8	4.3

Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's Vita Curves in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a.

The average future life expectancy at age 65 based on the Actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.0	24.3
Future pensioners (assumed to be aged 45)	23.1	26.3

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 20: 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 19). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2020		31 March 2021
£m		£m
(1,104)	Present value of promised retirement benefits	(1,389)
697	Fair value of scheme assets	871
(407)	Net Liability	(518)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions used

	2019-20	2020-21
	% pa	% pa
Inflation/pensions increase rate assumption	1.9	2.9
Salary increase rate	2.6	3.6
Discount rate	2.3	2.0

NOTE 21: CURRENT ASSETS

31 March 2020		31 March 2021
£'000		£'000
Short Term Debtors:		
661	Contributions due - employers	561
55	Sundry debtors	66
1,289	Cash owed to Fund	1,035
2,005		1,662

NOTE 21A: LONG TERM DEBTORS

31 March 2020		31 March 2021
£'000		£'000
0	Lifetime Tax Allowances	140
0		140

NOTE 22: CURRENT LIABILITIES

31 March 2020		31 March 2021
£'000		£'000
(156)	Sundry creditors	(119)
(80)	Benefits payable	(283)
(236)		(402)

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVC contributions of £0.50m were paid directly to the providers during the year (2019-20: £0.50m)

Market value 31 March 2020		Market value 31 March 2021
£'000		£'000
2,268	Prudential Assurance	0
553	Clerical Medical	0
224	Equitable Life Assurance Society	0
3,045		0

NOTE 24: AGENCY SERVICES

There were no payments of this type

NOTE 25: 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 below.

The Pension Fund has operated a separate bank account since April 2011. However, to avoid any undue cost to the Fund some minor transactions continue to be processed through the Council's bank account. These are reconciled monthly and settlement of any outstanding balance is adjusted when the Council pays its contributions to the fund.

31 March 2020		31 March 2021
£'000		£'000
(20,634)	Employer's Pension Contributions to the Fund	(20,663)
906	Administration expenses paid to the Council	908
1,289	Cash held by the Council	1,035

Governance

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

NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Councils' Director of Finance (S151 Officer) and the Pension Fund Manager.

Total remuneration payable from the Pension Fund to these key management personnel is set out below:

31 March 2020		31 March 2021
£'000		£'000
91	Short-term benefits	105
0	Termination benefits	0

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2021 totalled £53.3m (31 March 2020: £65.8m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and LCIV Infrastructure Fund.

NOTE 27: CONTINGENT ASSETS

One admitted body employer in the Fund holds an insurance bond/guarantee 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.

London Borough of Harrow Pension Fund (“the Fund”) Actuarial Statement for 2020/21

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; 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 FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still at least a 72% likelihood that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £851 million, were sufficient to meet 94% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £52 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.3 years
Future Pensioners*	23.1 years	26.3 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is likely to be an improvement to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.



Gemma Sefton FFA

06 May 2021

For and on behalf of Hymans Robertson LLP

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Report for: Pension Board

Date of Meeting:	8 July 2021
Subject:	Review of Internal Controls at Investment Managers
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	Yes – (Appendix 1 only) Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Review of Internal Controls at Investment Managers (EXEMPT)

Section 1 – Summary and Recommendations

This report provides the Board with a summary of the contents of the latest internal controls reports for the Fund's investment managers. The reports have been reviewed and show that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory management response.

Recommendations:

The Board is requested to note the report.

Section 2 – Report

1. 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.
2. Each of The Fund’s investment managers prepares an annual report having regard to the International Standard on Assurance Engagements 3402 (ISAE 3402), issued by the International Auditing and Assurance Standards Board, the Technical Release AAF 01/06 (AAF 01/06), issued by the Institute of Chartered Accounts in England and Wales and the control objectives for their services and information technology.
3. Under these protocols the directors/partners of each manager prepare a report focussing on key environmental, business and process issues and make commitments along the following lines:
 - the report describes fairly the control procedures that relate to their stated control objectives;
 - the control procedures are suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and
 - The control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the period specified.
4. Each of the managers has engaged a leading firm of auditors to report on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives.
5. A summary of the findings from the most recent reviews is provided in Appendix 1. The reports and management responses indicate that each of the fund managers demonstrates appropriate levels of controls, and that where exceptions have been identified via testing, appropriate action has been taken to resolve the issue. Where the date of the most recent report is earlier than 31 March 2021, “bridging letters” have been provided by the managers confirming that the control environment was unchanged in the subsequent period.
6. The key points from the findings in respect of the Fund’s managers are as follows:

LaSalle Investment Management

The most recent audit report, to 31 December 2019, carried out by Deloitte LLP, indicated that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory management

response. This was reported to the Committee's meeting in September 2020. A bridging letter was provided covering the subsequent period.

BlackRock Inc.

The audit, carried out by Deloitte and Touche LLP, indicates that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory management response.

GMO

The audit, carried out by PricewaterhouseCoopers LLP, indicates that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory management response.

Insight Investment

The audit, carried out by KPMG LLP, indicates that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory management response.

Oldfield Partners LLP

The most recent audit report, carried out by Deloitte LLP, covers the period to 30 June 2019. It indicated that controls are operating effectively and, where exceptions have been identified, that there has been a satisfactory management response. This was reported to the Committee's meeting in September 2020. A bridging letter was provided covering the subsequent period. The Fund no longer holds investments with Oldfield Partners, having redeemed them in the first quarter of 2021.

Pantheon

The last report received, covering the audit of the period to 30 September 2019, carried out by KPMG LLP, indicated that controls were operating effectively and, where exceptions have been identified, that there had been a satisfactory management response. This was reported to the Committee in September 2020.

The latest report is awaited.

Record Currency Management Ltd

The last report received, covering the audit of the period to 31 March 2020, carried out by RSM Risk Assurance Services LLP, indicated that controls were operating effectively and, where exceptions have been identified, that there had been a satisfactory management response. This was reported to the Committee in September 2020.

The latest report is awaited.

London CIV

LCIV have provided an internal control assurance report on the sub-funds held by the Pension Fund, as follows

- LCIV Multi Asset Credit Fund – the last audit, carried out by Deloitte & Touche LLP, for the period to 31/12/2019, indicates that controls are operating effectively, and, where exceptions have been identified, that there has been a satisfactory management response. A bridging letter covering the period to 31 March 2021 was provided by CQS.
- LCIV Global Equity Focus Fund – the audit, carried out by EY, and, where exceptions have been identified, that there has been a satisfactory management response.
- LCIV Sustainable Equity Fund – the audit, carried out by PWC, indicates that controls are operating effectively, and, where exceptions have been identified, that there has been a satisfactory management response.
- LCIV Infrastructure Fund - the audit, carried out by EY, and, where exceptions have been identified, that there has been a satisfactory management response.
- LCIV Global Bond Fund - the audit, carried out by PWC, and, where exceptions have been identified, that there has been a satisfactory management response.

Legal Implications

7. There are no direct legal implications arising from this report.

Financial Implications

8. 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

9. The risks arising from investment performance and managers' operational arrangements are included in the Pension Fund risk register which is reviewed elsewhere on this agenda.

Equalities implications / Public Sector Equality Duty

10. Was an Equality Impact Assessment carried out? No
11. There are no direct equalities implications arising from this report.

Council Priorities

12. Whilst 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 there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/06/2021

Statutory Officer: Caroline Eccles

Signed on behalf of the Monitoring Officer

Date: 22/06/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 21/06/2021

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone 020 8736 6552

Background Papers: None

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Report for: Pension Board

Date of Meeting:	8 July 2021
Subject:	Review of Pension Fund Risk Register
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not Applicable
Enclosures:	Appendix 1 - Risk Score Summary Appendix 2 - Pension Fund Risk Register - Key Risks (Red or Amber rated) Appendix 3 - Pension Fund Risk Register - Lower Risks (Green rated)

Section 1 – Summary and Recommendations

This report sets out the updated Pension Fund Risk Register for the Board to review.

Recommendations:

The Board is requested to consider the updated risk register and comment accordingly.

Section 2 – Report

Background

1. In accordance with best practice the Pension Fund has a risk register which was first considered by the Pension Fund Committee in March 2015. The risk register has since been reviewed regularly, most recently

at the Committee's meeting on 25 November 2020. The Pension Board last reviewed the Risk Register at its meeting on 2 December 2020.

2. In reviewing the existing risk register, officers have followed the Council's standard practice and approach to the scoring of each risk (assessing the likelihood and impact on the Pension Fund) – this is set out at Appendix 1, which also indicates which risk numbers are associated with each risk score.
3. The revised presentation of the risks agreed by the Pension fund Committee in November 2020 is retained. This highlights in a single list (Appendix 2) the twelve risks whose scores equate to an "Amber" (8 risks) or "Red" rating (4 risks). It is these risks which are likely to have the biggest impact on the Fund and hence require particularly close attention.
4. Those risks which are considered lower and whose current scores equate to a "green" rating (24 Risks) are shown in appendix 3. As agreed at the last meeting, those risks which are really "business as usual" activity and managed operationally on a day to day basis have been removed from the risk register. Those continue to be scored as "likelihood is very low or almost impossible", and "impact is marginal or negligible" (E3, E4 or F3). This action does not preclude any of the items being escalated to the significant risks list should they increase in likelihood or impact in the future.
5. Since the last review, one risk (risk G2 in appendix 3) – the conflict between the LGPS Regulations and the "Public sector Exit Cap" – has been downgraded following the Government's decision to repeal the Regulations it introduced in October 2020, which removed the risk. However, it should be noted that the Government plans to bring in new arrangements to limit "exit payments" later in 2021.
6. There are no new risks highlighted in appendix 2. Three of the four "red risks" relate to the performance of the Fund's Investments. These, and also some of those risks scored amber are linked to the impact of economic and market events which are outside of the Fund's control. Therefore, whilst the Committee puts in place a range of mitigatory measures (for example diversification between asset classes and managers, the engagement of appropriately qualified external professionals to provide investment or actuarial advice, and regular monitoring and review of the fund's investments and liabilities), ultimately the risks cannot be eliminated or managed down to a level where the impact is negligible, and therefore they have to be tolerated whilst continuing to apply these mitigating measures.
7. The remaining red risk relates to the Regulatory impact of Court judgements, in particular, the McCloud Judgement, which the Committee has previously been made aware of. Work to mitigate this risk by collecting additional historic data from employers. At present the Government has not provided details of how McCloud will be implemented in the LGPS, and until this happens the precise impacts cannot be quantified.

Legal Implications

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

Financial Implications

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

Risk Management Implications

10. Risk Management is the subject of this report – one of the key governance requirements for the Pension Fund is the appropriate management of risk and maintaining a separate a risk register helps to regulate that process effectively.

Equalities implications / Public Sector Equality Duty

11. Was an Equality Impact Assessment carried out? No
12. There are no direct equalities implications arising from this report.

Council Priorities

13. The performance of the Pension Fund 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

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/06/2021

Statutory Officer: Caroline Eccles

Signed on behalf of the Monitoring Officer

Date: 21/06/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 21/06/2021

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager
Email: Jeremy.randall@harrow.gov.uk
Telephone 020 8736 6552

Background Papers: None

PENSION FUND RISK REGISTER

LIKELIHOOD				
A Very high				
B High				
C Significant	G22	4,5,7	8, 9, 10, 12	
D Low	G21	G1, G5, G6, G8, G9, G10, G14	1, 2, 3, 6, 11	
E Very Low		G2	G3, G4, G7, G12, G13, G15, G16, G17, G18, G19, G20, G23, G24	
F Almost Impossible			G11	

IMPACT
 4 Negligible Impact/Benefit 3 Marginal Impact / Minor Benefit 2 Critical Impact / Major Benefit 1 Catastrophic Impact / Exceptional Benefit

DEFINITION OF TERMS

LIKELIHOOD

A Very high	Greater than 80% (almost certainly will occur)
B High	51-80% (more likely to occur than not)
C Significant	25-50% (fairly likely to occur)
D Low	10-24% (low, but could occur)
E Very Low	3-9% (extremely unlikely)
F Almost Impossible	0-2%

IMPACT

Catastrophic	Services could not be sustained or major project fails to deliver
Critical	Serious disruption to services
Marginal	Small effect on services
Negligible	Trivial effect on services

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PENSION FUND RISK REGISTER -
KEY RISKS

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
REGULATORY									
1	Changes to national pension requirements and/or HMRC rules not being implemented.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate.	D2	D2		Treasury and Pensions Manager	D2		Director of Finance
FUNDING - ASSETS AND LIABILITIES									
2	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. Funding Strategy Statement sets out plans / approach to ensure that assets are sufficient to meet liabilities in full over the long term (lifetime of the Fund). The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling (to determine contribution rates) allows for the probability of the fall in returns on Government bonds within a long term context.	D2	D2		Treasury and Pensions Manager	D2		Director of Finance
3	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy and Investment Strategy Statements are regularly reviewed in line with the triennial valuation with the objective of ensuring the long term solvency of the Fund.	D2	D2		Treasury and Pensions Manager	D2		Director of Finance

PENSION FUND RISK REGISTER -
KEY RISKS

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
4	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks.	C3	C3		Treasury and Pensions Manager	C3		Director of Finance
5	Demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed to ensure that they remain appropriate.	C3	C3		Treasury and Pensions Manager	C3		Director of Finance
FUNDING - INVESTMENT STRATEGY									
6	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Independent Advisors provide additional scrutiny, testing and validation of their work. Investment strategy options are considered as as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its allocation strategy	D2	D2		Treasury and Pensions Manager	D2		Director of Finance

PENSION FUND RISK REGISTER -
KEY RISKS

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
7	Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required. Fund rebalancing to benchmark allocation is considered on a quarterly basis against relevant triggers.	C3	C3		Treasury and Pensions Manager	C3		Director of Finance
8	General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance.	C2	C2		Treasury and Pensions Manager	C2		Director of Finance
9	Failure by fund managers to achieve benchmark (passive) or performance target (active) returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of "due diligence." Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser's report; poor performance is highlighted and addressed by the Committee and officers. Regular dialogue is maintained with the investment advisers and managers; the Committee meets the managers once a year and officers meet them on at least one further occasion. Procurement frameworks and adviser's advice are used to fast track the appointment of new managers if changes are required	C2	C2	As Investment pooling is progressed, the London CIV adds an additional level of monitoring and scrutiny of managers, and options to improve speed of implementation if changes in manager are required.	Treasury and Pensions Manager	C2		Director of Finance

PENSION FUND RISK REGISTER -
KEY RISKS

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
KEY RISKS									
10	Fund assets fail to deliver returns in line with anticipated returns underpinning the triennial valuation	Long term returns are anticipated on a prudent basis and progress is analysed on at least a three year's basis. Assets are invested on the basis of specialist advice in a suitably diversified manner across asset classes, geographies, managers etc.	C2	C2		Treasury and Pensions Manager	C2		Director of Finance
OPERATIONAL									
11	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D2	With small teams it is in practice difficult to eliminate this risk. Remote working due to Covid-19 can impact adversely on knowledge sharing between colleagues.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
12	Regulatory impact of court judgements creates significant administrative workload	McCloud judgement, relating to "age equality" impact of transitional arrangements for the move from the 2008 "final salary" to the 2014 "career average" scheme requires review and recalculation for a significant part of the Fund's members.	C2	C2	Discussions ongoing at national level, including with software suppliers, to set a realistic timescale for implementation of changes. Officers monitoring these discussions whilst assessing workload impacts and possible approaches to manage this.	Treasury and Pensions Manager	C3	2021	Director of Finance

82

PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
REGULATORY									
G1	Changes by regulation to particular employer participation in the Local Government Pension Scheme with impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers, implements them, including amending strategies, as appropriate.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G2	Other UK Legislation (public sector exit cap) conflicts with LGPS Regulations	Government introduced legislation to limit the cost of "exit payments" to £95k, but did not issue updated LGPS Regulations incorporating the necessary changes to align with this. Letter containing Ministerial Guidance issued 28/10/2020 but does not have force of law. Software changes will also be required once the new LGPS Regulations are approved.	C3	E3	Government made a further change to the Regulations in February 2021 - repealing the "Exit Cap". It intends to reintroduce new legislation towards the end of 2021, but after the earlier issues it is expected that this will align with the LGPS Regs.	Treasury and Pensions Manager	E3	Dec. 2021	Director of Finance & Assurance
GOVERNANCE									
G3	Pension Fund Committee members have insufficient knowledge to make correct decisions	Regular training is provided via a structured training programme to allow Members to review and challenge recommendations. Actuarial, investment, independent and officer advice is available to assist Members in making their decisions. The Council's in-house Legal Department provides advice as appropriate.	E2	E2	Regular training sessions will be arranged before each Committee to ensure that knowledge remains up to date.	Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance
G4	Inadequate investment and actuarial advice is available to the Pension Fund Committee or sound advice is not heeded	Properly considered appointment of actuary and investment consultant with relevant experience and professional standards in place. Appointment of additional independent advisers. The Administering Authority, via its Pension Fund Committee and Pension Board maintains close contact with its specialist advisers and, in addition to receiving "statutory" reports, makes of requests for specific reports when required. Advice is delivered at formal meetings and recorded appropriately.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G5	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Skills kept up to date through ongoing professional development (including training and technical reading); liaison with other funds and professional bodies and other networks. Training and development needs monitored through annual and monthly meetings with managers Use of external advisers where appropriate	D3	D3		Treasury and Pensions Manager	E3		Director of Finance & Assurance

PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
G6	Failure to maintain proper oversight of the administration of the Fund	The Pension Fund Committee has responsibility for exercising the Administering Authority's responsibilities clearly set out in its terms of reference. The Pension Board provides support and constructive challenge to support the oversight of the administration of the Fund.	D3	D3		Treasury and Pensions Manager	E3		Director of Finance & Assurance
FUNDING - ASSETS AND LIABILITIES									
G7	Pension Fund objectives are not defined and agreed	Objectives are defined in the Funding Strategy Statement which is reviewed regularly by the Pension Fund Committee	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G8	The Fund's pensioners are living longer than assumed in actuarial assumptions thereby increasing liabilities.	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience. The Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might affect the assumptions underpinning the valuation	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G9	Increase in number of early retirements due to service reductions and/or ill-health retirements.	Employers are charged the "strain" cost of non-ill-health retirements; ill health retirement experience is closely monitored. Controls are included in admission agreements for new bodies joining the Fund and insurance may be available. Experience between triennial valuations is monitored and incorporated in the valuation process.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G10	Structural changes in an employer's membership (eg fall in active membership) leading to non-recovery of past service deficits	Monitor at each valuation and appropriate investment strategy is implemented. Past service deficits are being recovered by cash rather than percentage of payroll.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G11	Insufficient assets to meet short and medium term liabilities	Including investment income the Fund currently achieves an annual surplus. Medium term requirements are regularly reviewed, and cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments are liquid and can be accessed relatively quickly.	E2	F2		Treasury and Pensions Manager	F2		Director of Finance & Assurance
G12	Reductions in payroll causing insufficient deficit recovery payments	Reviewed at triennial valuation. Stabilisation mechanism permits appropriate contribution increases. Deficit contributions are a fixed monetary amount rather than a percentage of payroll.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance

PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	FUNDING - INVESTMENT STRATEGY								
G13	Losses arise due to currency fluctuations	The Council has established a currency hedging strategy covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. Approximately 10 major currencies are hedged most notably the US Dollar, Japanese Yen and Euro.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G14	Environmental, social and governance issues reduce the Fund's abilities to generate long term returns	The Fund expects its managers to act in the best financial interests of the Fund which involves considering the effects of ESG issues on the performance of companies in which they invest	D3	D3	The Fund has realigned its investments to increase its ESG focus, and is reviewing its Investment Strategy Statement and will approve this at its meeting in June 2021.	Treasury and Pensions Manager	D3	June 2021	Director of Finance & Assurance
	SECURITY								
G15	Investment manager may not have appropriate control framework in place to protect Pension Fund assets	Client agreements which include the control framework are in place. Assets are held by external custodians separate from the investment managers; custodians are expected to comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Each investment manager's annual audit of internal controls is reviewed by officers and the Pension Fund Committee. Investment managers maintain an appropriate risk management framework to minimise the level of risk to pension fund assets.	E2	E2	Whilst this risk is outside the Fund's control, the annual audits reveal very few exceptions to the intended control processes operating correctly. An aspiration that the likelihood is almost impossible is therefore a reasonable aspiration but timescales are dependent on the managers.	Treasury and Pensions Manager	F2	N/A	Director of Finance & Assurance
G16	Negligence, fraud or default by individual investment manager.	Legal requirements on fund managers set out in investment management agreements, FSA and other regulatory requirements; separation of investment management and custody arrangements; annual review of operational controls	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G17	Custody arrangements may not be sufficient to safeguard fund assets	Client agreements which include the control framework are in place. External custodians comply with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Regular reconciliations carried out to check external custodian records	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G18	Failure of custodian	Use custodians under banking and FSA regulation	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance

PENSION FUND RISK REGISTER - LOWER SCORED RISKS (Green Rated)

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	OPERATIONAL								
G19	Major emergency	Business Continuity Plan in place. Service delivery during 2020 Covid-19 Pandemic has demonstrated resilience of remote working arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G20	Systems and data may not be secure and appropriately maintained	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights restricted. Data is backed up on an incremental basis daily and fully backed up weekly. Audit trails and reconciliations are in place. System is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met. Staff working from home use only LBH equipment and secure log in arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G21	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules.	Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing. Procedures exist to identify any non-payment of contributions. Internal audit reviews take place regularly and there is an External Audit review of the accounts annually	D4	D4		Treasury and Pensions Manager	D4		Director of Finance
G22	Overpayments made	Most overpayments result from deaths not being notified promptly. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative. Pensions Admin participate in the "tell us once" service, so are notified of many deaths through registrars via this service.	C4	C4		Treasury and Pensions Manager	C4		Director of Finance
G23	Breach of data protection legislation.	Data security protocol in place. Staff made aware of importance of ensuring data is properly protected.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G24	Effect of possible increase in employer's contribution rate on service delivery of Administering Authority and admission and scheduled bodies.	A stabilisation mechanism has been agreed as part of the funding strategy and other measures are in place to limit sudden increases in contributions.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
	ACCOUNTING								
	None								



Report for: Pension Board

Date of Meeting:	8 July 2021
Subject:	Pension Board Work Programme For Future Meetings
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not Applicable
Enclosures:	None

Section 1 – Summary and Recommendations

This report reviews the Pension Board's work to date, lists the forthcoming meeting dates and invites the Board to comment on a suggested work programme for the remainder of the 2021-22 Municipal Year.

Recommendations:

The Board is requested to agree a revised date for its next meeting, to note the dates of subsequent meetings for 2021-22 and to comment on the proposed work programme.

Section 2 – Report

1. The Pension Board meets quarterly. Its work in 2020 was disrupted by the Covid-19 pandemic. At its meeting on 2 December 2020, the Board agreed a draft work programme for the 2021-22 municipal year.
2. The dates of meetings for 2021-22 have now been set by the Cabinet. The scheduled meeting dates for the Board are as follows:
 - Thursday 30th September 2021
 - Wednesday 1st December 2021
 - Thursday 3rd March 2022

Meetings will continue to be held via Microsoft Teams until it is considered appropriate to revert to meeting in person.

3. The Board should note that the Council meeting originally scheduled for 22 July 2021 has been moved to 30 September 2021. It will therefore be necessary to agree a new date for the next meeting of the Board – 6th October 2021 has provisionally been suggested.
4. A suggested work programme for 2021-22, is shown in the table below. Further items will be added as required during the year.

Matter for Consideration	Board Meeting
Items for consideration at each meeting (all years)	
Pensions Administration – Performance monitoring	Quarterly report – to include updates on McCloud
Pension Fund Dashboard including Long term cashflow and funding	Quarterly report - Considered in review of PF Committee minutes quarterly
Latest Pension Fund Committee Meeting - Summary of Reports and actions	Quarterly report
2021-22 Items	
Pension Fund Risk Register Review	1 December 2021
Annual Report and Financial Statements for year ended 31 March 2021	30 September 2021 – to review the annual report and auditor’s report on the accounts.
Regulatory Updates	Ad hoc – as changes occur
Review of Funding Strategy Statement	30 September 2021
Review of Investment Strategy Statement	30 September 2021 – to reflect completion of the review currently in progress.
Update on Investment Pooling	30 September 2021
Preparations for 2022 Triennial Valuation	3 March 2022

5. For Board members’ information, the dates set for future meetings of the Pension Fund Committee are as follows:
 - Monday 13th September 2021
 - Wednesday 24th November 2021
 - Wednesday 9th March 2022

All of these meetings are currently scheduled to start at 6.30pm. It is currently intended that a training session will be held, before each Pension Fund Committee meeting, beginning at beginning at 5.30pm.

All Board members are welcome to attend both the training sessions and the meetings.

Legal Implications

6. There are no direct legal implications arising from this report.

Financial Implications

7. 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

8. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The latest review is considered elsewhere on this agenda.
9. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

Equalities implications / Public Sector Equality Duty

10. Was an Equality Impact Assessment carried out? No
11. There are no direct equalities implications arising from this report.

Council Priorities

12. The performance of the Pension Fund 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

Statutory Officer: Dawn Calvert

Signed on by the Chief Financial Officer

Date: 21/06/2021

Statutory Officer: Caroline Eccles

Signed on behalf of the Monitoring Officer

Date: 22/06/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 21/06/2021

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone: 020 8736 6552

Background Papers: None

Document is Restricted

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