

Pension Board

Minutes

6 October 2022

Present:

Chair: Mr R Harbord

Board Members:	Pritesh Patel	Employer representative – London Borough of Harrow
	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members

In attendance: Dr S Radford

13. Welcome

Prior to opening the meeting, the Board welcomed back Dr Simon Radford. Members were informed that although no longer a governor at Stanmore College, the College's agreement had been obtained that he remained as their Employer Representative-Scheduled and Admitted Bodies on the Harrow Pension Board for the rest of the term that he had been appointed for.

14. Declarations of Interest

RESOLVED: To note that the declarations of interests had been published on the website and would be taken as read.

15. Minutes

RESOLVED: That the minutes of the meeting held on 28 July 2022, be taken as read and signed as a correct record, subject to the following amendments:

- Page 3, paragraph 9: to read “With regards to the status of the Pension Ombudsman...”
- Page 4, paragraph 6: to read “...due to the number of new elected members appointed to the PFC...”

16. Public Questions

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

17. Petitions

RESOLVED: To note that no petitions had been received.

18. Deputations

RESOLVED: To note that no deputations had been received.

Resolved Items

19. Pensions Administration Update to 30 June 2022

The Board received a report for the quarter ending on 30 June 2022, which provided a summary of the Pension Administration Team’s performance and updated Members on a number of other items.

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

- 1) The pensions administration performance statistics were measured against the national benchmarks for the Quarter to 30 June 2022 and were set out in Appendix 1 to the officer report. Officers reported a slight drop in performance in the last quarter, the main reason for which was the Council’s new payroll system which had made the preparation of the pension payroll more labour intensive and had impacted on the speed at which the team carried out its work. Whilst acknowledging officer’s assurance that the impact on the team’s workload was not expected to be a permanent change, the Board expressed concern over the potential medium and long-term ramifications of an increasing workload and its cost and performance implications for the Council and the Pension Fund.
- 2) Active membership had increased from 5,309 to 5,545, affected partly by the auto-enrolment exercise, which was completed by the end of July 2022
- 3) The Annual Benefits Statements were completed before the deadline of 31 August 2022 for most employers in the Fund except for four, all of which were part of the Avanti Schools Trust where the Trust had failed to submit the necessary year-end returns in time. The delay was due to the fact that the Trust had recently changed its payroll contractor without making appropriate handover arrangements and was affecting not only Harrow but other local authorities with Avanti Trust schools. Harrow was aware of the implications caused by the delay and was

putting pressure on the Trust to provide the necessary information. The Board added that 30 Harrow schools had left the Council's in-house payroll system over the past year and would also need to be reminded of the process to avoid similar issues.

- 4) The Pension Ombudsman had been written to as requested at the last Pension Board meeting but no further updates had been received on the three complaints.
- 5) Consultation on the updated LGPS Regulations was still being awaited – a process that had been delayed by a number of factors including the election of the new Prime Minister. Department for Levelling Up, Housing and Communities (DLUHC) was expecting that consultation would commence in the autumn, but an exact date was yet to be confirmed
- 6) The triennial valuation was progressing well and was due to be reported at the next Pension Fund Committee (PFC) meeting on 12 October 2022.

RESOLVED: That the report be noted.

20. Review of Pension Fund Committee Items

The Board received a report which summarised the matters due to be considered by the Pension Fund Committee at its next meeting on 12 October 2022 and invited the Board's comments.

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

- 1) The PFC meeting had been re-arranged from 19 September to 12 October due to volume of meetings that had to be cancelled during the period of national mourning from 8 to 20 September. At its next meeting, the PFC was expected to consider a number of items, which were outlined in the officer report including the PFC Annual Report which was also part of the agenda for tonight's Pension Board meeting.
- 2) A key report to be considered by the PFC was the 2022 Triennial Valuation. Members would be asked to approve the London Borough of Harrow Contributions Strategy. Due to commercially sensitive information the report would be considered in a private session. The Board expressed concerns about this and requested that the outcome of the discussion be communicated with Members after the meeting.
- 3) Investment value had fallen slightly over the last quarter to £929m as of 30 June 2022 as detailed in Appendix 1 to the officer report. This was due to the turbulence in global markets as well as the fall in the value of the £ relative to the US dollar has impacted negatively on the Fund's currency hedging positions. During July the Fund's value increased by £40m. The main contributor was equities, although other asset classes also recovered some of the ground lost in the previous quarter.

RESOLVED: That the report be noted.

21. Draft Pension Fund Annual Report for 2021-22

The Board received a report on the draft Pension Fund Annual Report for the year ended 31 March 2022 and the External Audit Plan, which updated Members on progress made and invited their comments. Members were informed that the draft report and accounts were currently with Mazars who had been appointed as the Council's Auditors. An audit strategy memorandum was included at Appendix 1 which set out Mazar's approach to the audit, while the draft Pension Fund Annual Report itself was included at Appendix 2. Several key points were also highlighted in paragraph 6 to the officer report including areas such as the fund revenue account, account figures for year to end and a scheme overview.

Spotlighting on p.74 of the report, the Chair expressed concern about the investment managers' expenses and questioned if a separate calculation had been used that showed how much saving had been made from pooling. The Board was advised that the London CIV had recently circulated reports setting out amassed savings arising from pooling (both directly comparable and notional) and officers undertook to share these with Board Members following the meeting.

In response to a question on the reason behind the group transfers from other pension funds (p.95 of Appendix 1), the Board was informed that these were made following the termination of a number of shared HR and Legal Services between Harrow and Buckinghamshire Councils.

RESOLVED: That the report be noted.

22. Taskforce on Climate-related Financial Disclosures - Consultation

The Board received a report which summarised the recently issued Government Consultation paper on Governance and Reporting of Climate Change Risks, seeking views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks.

Subject to the outcome of the consultation, reporting on climate and climate-related risks was expected to commence in December 2024 meaning that data on various climate matters would need to be collected over the course of 2023. However, the matrix and targets were likely to prove challenging due to current lack of data consistency and significant risk of double counting, which in turn was putting a strain on administering authorities to get into a position where they can actually begin to report meaningful data. In addition, each fund would need to have a Weighted Average Carbon Intensity (WACI) score, clearly demonstrating what proportion of its investments were covered in reporting. Given that about 80% of Harrow investments were with the London CIV or in passive funds, the Fund would need to work closely with investment managers to monitor investments.

Environment matters, in particular how LGPS investments were made in the context of climate change, was becoming a topic of increased interest for many organisations and a training session for Harrow Pension Fund Committee members was scheduled for 11 October 2022 to look into these and other matters in greater detail.

The Board welcomed the update, stating that although the measurements set out in paragraph 7 were already a requirement for many organisations, they were not a simple matter and reporting on them was very time consuming, particularly in relation to Scope 3 (all other indirect emissions), which required a robust framework. Members felt that should reporting on environment matters become a legal requirement, it would be extremely difficult or even beyond the scope of some LGPS Funds to meet the requirements. Members also stressed that of paramount importance was having a clear definition of what was going to be measured and felt that their comments should be fed into Harrow Pensions Fund's response to the consultation.

RESOLVED: That the report be noted.

23. Pension Board Work Programme For Future Meetings

Members received a report on the Pension Board Work Programme, which reviewed the Board's work programme to date, listed forthcoming meetings and invited the Board's comments on a suggested work programme for the 2022/23 Municipal Year.

The Board welcomed the work programme and made the following comments:

- 1) Due to several key pension consultations expected over the coming months, the Board's work programme would need to be flexible and regularly reviewed to allow Members to be adequately briefed.
- 2) The Board played a key role in ensuring effective governance and administration of the LGPS and had an oversight function over the triennial evaluation, particularly with regards to the Pension Fund's Strategy Statement consultation which was due to be reported at the December Board meeting. A number of policies were expected to be included as appendices to the report and the Board's input and recommendations on these would be welcomed before final approval was sought by the Pension Fund Committee in March 2023.
- 3) Employers' contribution rates were set by the Fund's Actuary in the form of a rates and adjustment certificate, which determined the contributions for each employer in the scheme. The document had a legal status and employers were expected to apply the rates. There was little or no scope for employers to negotiate with the Actuary, other than in regard to whether secondary contributions were to be expressed as a percentage of pay or a lump sum.

The Chair thanked officers for the report and reminded Members to communicate any training needs they may have with officers to ensure they were kept up to date with the latest developments.

RESOLVED: That the report be noted subject to comments above.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.23 pm).

(Signed) Richard Harbord
Chair