

Pension Board Agenda

Date: Thursday 6 October 2022

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 Pritesh Patel | - Employer representative – London Borough of Harrow |
| Gerald Balabanoff (VC) | - Scheme Members' Representative - Pensioners |
| Patrick O'Dwyer | - Scheme Members' Representative - Active Members |
| Vacancy | - Employer Representative – Scheduled and Admitted Bodies |

Contact: Nikoleta Kemp, Senior Democratic and Electoral Services Officer
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Agenda publication date: Wednesday 28 September 2022

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 - 12)

That the minutes of the meeting held on 28 July 2022 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, 3 October 2022.

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. **Pensions Administration Update to 30 June 2022** (Pages 13 - 22)

Report of the Director of Finance and Assurance.

7. **Review of Pension Fund Committee Items** (Pages 23 - 30)

Report of the Director of Finance and Assurance.

8. **Draft Pension Fund Annual Report for 2021-22** (Pages 31 - 116)

Report of the Director of Finance and Assurance.

9. **Taskforce on Climate-related Financial Disclosures - Consultation** (Pages 117 - 122)

Report of the Director of Finance and Assurance.

10. **Pension Board Work Programme For Future Meetings** (Pages 123 - 126)

Report of the Director of Finance and Assurance.

11. **Any Other Business**

Which cannot otherwise be dealt with.

Agenda - Part II - Nil

Data Protection Act Notice

The Council will record the meeting and will place the recording on the Council's website.

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

5. Deputations

RESOLVED: To note that no deputations had been received.

6. Appointment of Vice Chair

RESOLVED: That Gerald Balabanoff be appointed Vice-Chair of the Board for the 2022/2023 Municipal Year.

Resolved Items

7. Pensions Administration Update to 31 March 2022

The Board received a report on Pensions Administration Update for the quarter ending on 31 March 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 Pension Fund membership had increased further to 19,003 although a significant number of members had also retired during the last quarter.
- 2) The three yearly re-enrolment exercise for members who had previously opted out of the Local Government Pension Scheme (LGPS) was coming to an end and was due to be completed by 31 July 2022. Given the current economic climate, no significant increase in the number of members was expected.
- 3) No known breaches of law were reported in the 2021/22 financial year. However, in April 2022, there were challenges with the printing and distribution of payslips following a change of Harrow's payroll arrangements, resulting in a small number of overseas members' payslips being printed on the back of other members' payslips. In line with the Council's procedures a breach of data protection requirements was reported, and action taken to rectify the situation and prevent it from re-occurring.
- 4) One internal dispute, relating to ill-health retirement, had been dealt with and resolved under the Internal Dispute Resolution Procedure, with the member deciding to take early payment of their deferred pension at a reduced rate.
- 5) No further updates had been received on the three complaints to the Pension Ombudsman since the last Pension Board meeting and minimal progress appeared to have been made by the Ombudsman.
- 6) Consultation on the updated LGPS Regulations was still being awaited and unlikely to take place until after the summer recess at the earliest although further delays were still possible.

- 7) Data on the triennial evaluation was currently being processed with initial whole fund results, the proposed London Borough of Harrow contribution rate for the period 01/04/2023 to 31/03/2026 and a draft funding strategy statement by the Actuary expected to be reported to the Pension Fund Committee in September and the Pension Board in October as part of the consultation process. Further reports would be submitted to the Pension Fund Committee and to the Board as the valuation work progressed.
- 8) The pensions administration performance statistics were measured against the national benchmarks for the Quarter to 31 March 2022 and were set out in Appendix 1 to the officer report. Service performance remained good and case numbers were added to the performance monitoring statistics set out in Appendix 1 for completeness.

In the discussion which followed, the Board raised a number of points, which were answered as follows:

- 9) With regards to the status of the Local Ombudsman complaints the Board was advised that in all three cases, the independent medical practitioner's reports had indicated that the individuals were not permanently unfit to work and therefore ill-health retirements were not awarded, resulting in the individuals referring their cases to the Ombudsman. The cases had been with the Ombudsman for over 12 months and, whilst unfortunate for the individuals, the delay in processing the complaints was not of Harrow's making and the Council had followed the correct procedure. It was also noted that whilst the Ombudsman service imposed strict deadlines on local authorities for providing information in response to requests, the reciprocal did not apply making it difficult to obtain updates on individual cases. The Board felt the delay in responding to the complaints was unfair and wished to express its dissatisfaction with the situation.
- 10) Acknowledging the significance of the awaited LGPS consultation, the Board noted that based on the government's track record for responding to other similar consultations, it was unlikely that the results would be available soon.
- 11) In regard to the Scheme Advisory Board's annual report on the LGPS to March 2021, the increase in investment management charges (referenced on page 14, paragraph 19 to the officer report) was mainly due to impact of funds' recovery and investment valuations. The charges were proportionate to the asset valuations – the higher the value of the investments being managed the higher the charges. The charges were lower than they would have been had investment pooling of LGPS Funds' assets not been implemented.
- 12) The Board was assured that work on the annual benefit statements was on course to meet the 31 August 2022 deadline and would not be a cause for default.

The Board welcomed the updates and commended Harrow's Administration Team for their consistent performance and high standards as demonstrated by the report.

RESOLVED: That

- (1) the report be noted; and
- (2) officers undertake to write to the Pension Ombudsman and express the Board's concern over the delay in the responding to the three complaints set out in the report.

8. Review of Pension Fund Committee Items

The Board received a report which summarised the matters considered by the Pension Fund Committee (PFC) at its meetings on 9 March 2022 and 26 July 2022 and invited the Board's comments.

During the discussion that ensued the following key points were highlighted in respect of the two meetings:

PFC – 9 March 2022

- 1) Richard Romain and Colin Robertson were re-appointed as independent advisors to the Pension Fund Committee.
- 2) Several items were considered including the Fund's performance, draft work programme and risk register which was on the agenda for this Pension Board meeting.
- 3) The four draft policies, reviewed by the Pension Board during the 2021/22 municipal year, were approved by the PFC and the Board's recommendations incorporated in the final published version.
- 4) Members were updated by the Fund's Actuary on the approach and assumptions to be used in the forthcoming triennial evaluation.
- 5) Following the PFC's decision to change its emerging making equity investment manager, investments with GMO Emerging Domestic Opportunities Fund were liquidated and were now managed within the London CIV emerging market equity fund.

PFC – 26 July 2022

- 6) In the absence of items for consideration and due to the number of new elected member appointed to the PFC following the May Local elections, the meeting was used as an informal briefing and training session with the Fund's Actuary briefing members on the triennial evaluation. The Committee also looked at performance and the state of the Fund's investments as of 31 March and received an update on the Fund's position as at the end of June.

- 7) In response to a question on the benchmark against which performance figures were set, the Board was informed that this was set out in the investment strategy statement which would be shared for information with Members after the meeting.
- 8) The triennial valuation was an assessment of the Fund's historical and potential future liabilities, its assets, and assessment of future returns. The latest figures showed that as at 31 March 2022, the Fund was approximately 101% funded – a figure referring to previous service liabilities and affected by both investments exceeding expectations and employers making secondary contributions in order to bridge the deficit gap. However, one of the challenges the Fund continued to face was estimating the cost of future benefit accrual as the pension scheme was open to new joiners but to further benefit accrual by existing members.
- 9) The Fund had committed £68 million to CIV infrastructure and £50 million to renewable infrastructure funds, invested through private markets. In terms of the infrastructure fund, the Fund had already contributed £31 million and LCIV was gradually identifying further investments with the aim of reaching £68 million in the next 15 months.

RESOLVED: That the Report be noted.

9. Review of Pension Fund Risk Register

The Board received a report which set out the updated Pension Fund Risk Register and invited Members' comments.

By way of introduction, the Board was informed that the risk register was a regularly reviewed document, last considered by the Pension Board at its meeting on 16 December 2021. The key risks remained unchanged since the last review and were rated as either "Amber" or "Red" as they were most likely to have the biggest impact on the Fund. Three of the four biggest "red" risks were linked to markets, investment valuations and returns of investments and as such could not be eliminated. Instead, the Fund had put in place a range of controls and mitigations strategies to help keep these risks manageable and these were set out in Appendix 2 to the officer report.

The Board welcomed the report and did not raise any questions or comments.

RESOLVED: That the report be noted.

10. Pension Board Draft Annual Report 2021- 22

Members were presented with the regular draft annual report, as required by the Board's Terms of Reference and invited to make comments before a final version of the report can be submitted to Full Council in September 2022.

A key point raised in the discussion revolved around the membership of the Board with members stating that consideration should be given on either introducing reserves or expanding the cohort of members to ensure resilience

and continuity of the Board. Whilst appointment of reserves was considered, Members were reminded that the Board was an independent from the Council body and as such operated under different legislation, one which may not include provision for reserves. Increasing the existing membership was another option albeit challenging due to ongoing difficulties in recruiting and retaining members. The Board did not raise any further comments.

RESOLVED: That the annual report be noted and referred to Council subject to officers investigating queries about appointment of reserve members and expanding the structure of the Board and amending the report accordingly.

11. Review of Pension Fund Governance Compliance Statement

The Board received a report on the Pension Fund's Governance Compliance Statement as set out in Appendix 1 and was invited to make comments for consideration by the Committee at its next meeting in September 2022.

During the followed discussions Board Members raised a number of points as follows:

- 1) Referencing page 59 of the report the Board noted that except for representatives of the main employer, Harrow Council, the Pension Fund Committee (PFC) had no representation of any other employers or scheme members with the two trade union members having only an observer status and therefore could not be deemed fully compliant with Principle A.
- 2) Referencing page 55 of the report, the Board noted that Pension Board should be listed under the list of bodies/officers with delegated by the Council functions.
- 3) Referencing page 62 of the report, the Board felt that access to information requirement set out in Principle G had not been fully met as PFC exempt reports were still inaccessible for independent members of the Pension Board, thus excluding them from potentially important information. Whilst officers expressed sympathy with the situation, they noted that the matter had been pursued on several occasions and Harrow's monitoring officer's view is that the position remained unchanged.
- 4) Whilst welcoming the progress to date made on the "Good Governance Review", the Board expressed concerns over the significant delay in the government's response on the review, the recommendations of which were yet to be published.

RESOLVED: That the report and latest position on the LGPS Good Governance Review be noted.

12. 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 questioned the order of which some of the Pension Fund Committee (PFC) and Pension Board meetings had been scheduled and noted that it would be helpful if going forward it could be ensured that the Board met before the PFC so that any advice or recommendations, particularly on policy reviews, can be taken into consideration in a timely manner.

The Chair also raised a point on the format of future Board meetings and sought Members' views on whether these should remain virtual or move to in person or hybrid. Whilst Members were amenable to continue meeting virtually and noted the advantages this may offer for any potential Board members recruitment, it was agreed that should there be a need to discuss a matter in person then a meeting would be arranged at the Council offices.

RESOLVED: That the Report be noted.

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

(Signed) Richard Harbord
Chair

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Report for: Pension Board

Date of Meeting:	6 October 2022
Subject:	Pensions Administration Update to 30 June 2022
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1: Pension Administration Performance Monitoring to 30 June 2022

Section 1 – Summary and Recommendations

This report summarises the performance of the Pensions Administration team for the quarter ended 30 June 2022 and updates the Board in respect of a number of other items.

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 30 June 2022.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 30 June 2022 are set out in Appendix 1. The numbers of cases have been included in the table to provide further contextual information about performance. The level of performance has dropped in this quarter – the main reason is that the

Council's new payroll arrangements have made the preparation of the pension payroll more labour intensive, and this, alongside the additional workload which is always required during a triennial valuation, has impacted on the speed at which routine work is carried out. It is intended that employer and scheme member self service will be implemented during the winter of 2022-23, and this should help to improve performance going forward. 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 at 30 June 2022, with previous years at 31 March as a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

	31 March 2019	31 March 2020	31 March 2021	30 June 2022
Pensioners	5,795	6,004	6,196	6,542
Deferred	6,966	7,037	7,033	6,904
Active Members	5,400	5,410	5,309	5,545
% Active Members	29.7%	29.3%	28.6%	29.2%
Total	18,161	18,451	18,538	18,991

4. The three yearly "re-enrolment" exercise for members who had previously opted out of the LGPS is required is currently being carried out by LBH in its capacity as a scheme employer. This was completed in 31 July 2022. It is possible that this may lead to an increase in the number of active members reflected in these statistics towards the end of 2022.

Requirement to Report Breaches of Law

5. The Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 16th December 2021 – the document was approved by the Pension Fund Committee at its meeting on 9th March 2022.
6. Other than the item disclosed at paragraphs 7 and 8 below, there have been no known breaches of law in the current financial year.
7. Annual benefit statements, setting out the individual member's position at 31 March, are required to be sent to all active and deferred members before 31 August each year. For 2022, the exercise was completed before the deadline for most employers in the Fund. The exception was four academy schools, which are all part of the Avanti Schools Trust, affecting approximately 10 scheme members in total. The reason these statements were not sent on time is that the Trust had not provided the necessary year-end returns in time for the deadline to be met. The Trust advised that they had changed payroll providers at 1 April 2022, and there had been a problem with the transfer of responsibilities between the outgoing and incoming provider. The issue also impacted on the

triennial valuation work (see below). The Trust has schools in other local authorities/ LGPS funds and those have been similarly affected.

8. As reported to the Board's last meeting, during April 2022, there were problems with the printing and distribution of payslips, which arose following a change in Harrow's payroll arrangements. As a result some pensioners' pay details were printed on the reverse of other pensioners' pay slips. As soon as the error was identified, a breach of the data protection requirements was reported, and action to rectify the situation and prevent it happening again was taken in accordance with the Council's procedures.

Internal Disputes Cases and Complaints

9. Since the previous report, no further cases have been dealt with under the Internal Dispute Resolution Procedure.
10. As reported to previous meetings of the Board, three complaints have been referred to the Pensions Ombudsman. In all three cases, Harrow responded to the Ombudsman within his deadlines – in one case in January 2021, and in the other two, October 2021. All three cases relate to decisions taken regarding ill health retirement, and the decisions of the Ombudsman are awaited.
11. The Pensions Ombudsman has indicated that their office is dealing with a large number of complaints, (most of which are not related to the LGPS) and that it may be "several months" before they write to LBH again.
12. At the Board's last meeting, it was noted that whilst the delays are not of Harrow's making, this situation is unsatisfactory for the three complainants. Following the Board's request, officers have written to the Pensions Ombudsman expressing concerns at the length of the delay and its possible impact on the complainants. At the time of writing this report no further update has been received.

Payment of Employer Contributions

13. Employer contributions are required to be paid in arrears by the 19th of each month. In the current financial year to date, all employer contributions have been paid on time. Employers are contacted if payment has not been received by the due date.

Update on Legislation Changes

McCloud

14. As previously reported, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent in March 2022. It amends the Public Service Pensions Act 2013 to rectify unlawful discrimination in public service pension schemes. The updated LGPS Regulations reflecting these changes have still not been published. They are however expected before the end of December 2022.

15. In the meantime, the Government has provided some information to LGPS software suppliers about the “Mccloud remedy”, to assist them in development work to facilitate implementation of the necessary changes. With the help of our software suppliers, Heywoods, LBH has progressed the collection of data from employers in preparation for the changes when these are eventually implemented. Heywoods advise that having completed this for 80% of our scheme employers LBH is better placed than many administering authorities to implement the changes in 2023. The outstanding employers are mainly academy schools, and work is continuing to collect the requisite data.

Exit cap

16. As reported previously, the Public Sector “Exit Cap” Regulations were repealed in February 2021. The Department for Levelling Up, Communities and Local Government issued statutory guidance for local authorities on 12 May 2022. The guidance now aligns with the LGPS Regulations in that only strain costs arising from a decision to enhance standard pension benefits count as a “special severance payment”.

Other Matters

Scheme Advisory Board (SAB)

17. The SAB’s most recent meeting was on 6 June 2022, and information about that meeting was reported to the Board’s last meeting.

18. SAB agendas and papers can be found at the following link <https://lgpsboard.org/index.php/about-the-board/prev-meetings>

Triennial Valuation 2022

19. As previously reported, the Fund’s actuary (Laura McInroy of Hymans Robertson) has delivered three presentations to the Pension Fund Committee about the triennial valuation, which will be based upon the Fund’s position at 31 March 2022

- 24 November 2021
- 9 March 2022 – covering the key assumptions to be used in the Valuation
- 26 July 2022 – an update on progress to date and on the next phase of the valuation work, and in the process bringing new members of the Committee up to speed on the valuation process and approach.

20. Laura McInroy is about to begin a period of maternity leave, and her colleague Steven Law will be covering her responsibilities during that time. Steven will be presenting a report to the forthcoming meeting of the Pension Fund Committee on 12th October 2022 (please note this meeting was originally due to take place on 19th September but was rescheduled because of the funeral of Queen Elizabeth II on that day.)

21. The presentation on 12th October will cover two items

- Initial “Whole Fund” results
 - Proposed LBH contribution strategy.
22. As indicated in paragraph 7 above, there were some problems obtaining scheme member data from the Avanti Group of academy schools (the Group has four schools in LBH plus a number in other areas / LGPS Funds, and the problem extends across the group). As the four employers are small in the context of the LBH Fund (0.6% of the membership in total), Hymans have been able to deploy a “work around” to produce initial whole fund results.
23. The timetable for the remainder of the Triennial Valuation process is summarised as follows:
- PF Committee meeting 23 November 2022
 - Consideration of draft Funding Strategy Statement (FSS) and related policies – for employer consultation
 - Results for “non LBH” employers
 - Early December – Employer Forum (date tbc) – this will be the way in which we consult employers on the FSS)
 - PF Committee – 29 March 2023
 - Final valuation report
 - Approval of Funding Strategy Statement
 - By 31 March 2023 (statutory deadline) – Final Report including Rates and Adjustments Certificate issued
 - From 1 April 2023 onwards – new contribution rates payable by employers.
24. Following discussions with the actuary, the Funding Strategy Statement will be a much simpler document than the current version – but it will sit alongside a number of key policies which will set out how the Fund deals with employer events, including new admissions and cessations. The draft policies will be brought to the Board for consideration / comment as soon as these are available.
25. Further reports will be submitted to the Pension Fund Committee and to the Board as the valuation work progresses.

Legal Implications

26. There are no direct legal implications arising from this report.
27. The terms of reference for the Board include the Board’s role as set out in the following paragraphs.
28. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - such other matters the LGPS regulations may specify.
29. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
30. In its role, The Board will have oversight of the administration of the fund including:
- a. The effectiveness of the decision making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund's activities
 - d. The administration of benefits and contributions
31. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
32. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
33. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

34. There is 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. The work to deliver the triennial valuation will result in additional fees payable to the Fund's actuary, Hymans Robertson. These costs are being / will be met from the Pension Fund.

Risk Management Implications

35. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered elsewhere on the agenda for this meeting.
36. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

37. Was an Equality Impact Assessment carried out? No

38. 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.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 27/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22/09/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 27/09/2022

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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Performance Monitoring 01/04/2022 – 30/06/2022

SERVICE	National Benchmarking Target	Harrow Achievement %	Cases within Target	Total Cases
Issue letter notifying of dependent's benefit	5 days	57.14	8	14
Calculation and notification of ill health estimate	10 days	N/A	0	0
Calculation and notification of retirement benefits estimate	10 days	84	21	25
Issue letter to new pension provider detailing transfer-out quote	10 days	83.33	20	24
Calculation and notification of deferred benefits	10 days	70.37	19	27
Calculation and notification of retirement benefits	5 days	30.43	7	23
Process refund and issue payment	5 days	40	2	5
Calculation and notification of ill health benefits	5 days	N/A	0	0
Issue statutory notification on receipt of transfer funds	10 days	90	9	10

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Report for: Pension Board

Date of Meeting:	6 October 2022
Subject:	Review of Pension Fund Committee Items
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Pension Fund Valuation at 31 July 2022

Section 1 – Summary and Recommendations

This report summarises the matters to be considered by the Pension Fund Committee at its next meeting on 13 October 2022 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 Pension Fund Committee meeting was originally scheduled for 19th September 2022. This inevitably had to be rearranged because the funeral of Queen Elizabeth II was held on that date. The meeting will now take place on Wednesday 12th October 2022 at 3.30pm. The reason for the unusual time is simply the volume of meetings which have had to be re-arranged as they were cancelled during the period of National Mourning from 8th to 20th September, and there will be another meeting on that evening.
2. At its meeting on 13th October 2022 the Committee will consider the following items

Report	Comments
Part I	
Performance Dashboard and Update on Regular items	The Committee will review the position of the Fund at the end of Q2 2022 (30 June 2022), receive an update on things which have happened in the next quarter and be asked to agree a draft work programme for the Committee for the remainder of the 2022-23 municipal year.
Pension Fund Annual Report and Accounts for 2021-22	The Committee will be asked to review the draft Annual Report and Accounts and the external audit plan. These items are reported elsewhere on this agenda.
Review and Approval of Governance Compliance Statement	The Committee will be asked to review and approve this statement. The Board reviewed the Statement at its meeting in July and made some comments which have been reflected in the version which the Committee is being asked to approve.
Review of Investment managers' Internal Control Reports	The Committee will consider these reports, and to note that the various auditors have confirmed that in each case, controls were operating satisfactorily and that appropriate management action had been taken where exceptions had been identified.
Part II	
2022 Triennial Valuation – Initial Whole Fund Results and Draft LBH Contributions Strategy	The Fund's Actuary will present to the Committee on the progress to date, including the draft "whole fund" results. The Committee will be asked to approve the draft LB Harrow contributions strategy. The report will be considered in part II as Hymans Robertson regard the valuation methodology as being their intellectual / commercial property.
Review of Property Investments (LaSalle Fund of Funds)	The Committee will receive a report, including recommendations from the Fund's Investment Consultants, Aon, setting out the proposed next steps. The report will be considered in part II because of the sensitive nature of investment decisions.

3. The Pension Fund's investments were valued at £929m at 30 June 2022. The details are shown at appendix 1. There have been further drawdowns to both the LCIV Infrastructure Fund and the LCIV Renewables Infrastructure Fund Q2 of 2022, and the transition of Emerging market equities (see above) was completed in July 2022. The Fund's past service liabilities at 30 June 2022 totalled £868m meaning the Fund was approximately 107% funded. This estimate of liabilities is simply a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Committee in December 2019. As reported elsewhere on this agenda, the 2022 triennial valuation is underway, and this will reflect updated data and assumptions.
4. At 31 July 2022, the value of the Fund's investments was £969m. At that date, 78.3% of the Fund's investments were pooled or in passive investments which are regarded as being pooled.
5. The values of most asset classes (except property) fell during the quarter ended 30 June 2022 – this was due to the various pressures on the global economy, including the impact of the war in Ukraine on energy and commodity prices, the growth in inflation driven partly by those impacts and also by continued lockdowns in areas of China leading to shortages of some products. In addition, 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.

Legal Implications

6. There are no direct legal implications arising from this report.
7. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
8. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
 - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - such other matters the LGPS regulations may specify.
9. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

10. In its role, The Board will have oversight of the administration of the fund including:
 - a. The effectiveness of the decision making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund's activities
 - d. The administration of benefits and contributions
11. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
12. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
13. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

14. 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

15. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered by the Board at this meeting.
16. 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

17. Was an Equality Impact Assessment carried out? No
18. There are no direct equalities implications arising from this report.
- 19.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 27/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22/09/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 27/09/2022

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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Fund Valuation and Performance

March 2022 to March 2023

Asset Class	Value 31.03.2021 £'000	Value 30.04.2022 £'000	Value 31.05.2022 £'000	Value 30.06.2022 £'000	Value 31.07.2022 £'000	Allocation 31.07.2022 %	Strategic Allocation %	Strategic Range %
Global Equities								
LCIV - Global Equity Focus Fund	127,495	124,788	125,859	121,282	130,520	13	10	
LCIV - Blackrock Passive	269,113	260,570	255,224	241,501	257,001	27	24	
LCIV - Sustainable Equity Fund	73,314	68,921	68,967	66,897	71,786	7	8	
LCIV - Emerging Market Equity Fund	0	2,073	33,476	62,393	71,203	7	8	
GMO	71,839	69,436	37,436	6,856	0	0	0	
Record passive currency hedge	-4,041	-9,303	-8,929	-15,936	-7,141	-1		
Total Global Equities	537,719	516,484	512,033	482,993	523,370	54	50	45-55
						Inc Hedging		
Diversifying Return Assets								
Diversified Growth Fund - Insight	93,776	92,072	86,519	83,304	81,404 **	8	5.5	
Property - LaSalle	71,330	71,619	71,935	73,515	73,380	8	6	
Renewables - LCIV Renewables Fund	13,833	11,210	12,111	12,111	12,253	1	5	£50m Committed
Infrastructure - LCIV Infrastructure	31,347	31,347	31,347	34,846	34,846	4	7.5	£68m Committed
Private Equity - Pantheon	5,371	5,371	5,371	5,218	5,218	1	1	
Total Diversifying Return Assets	215,658	211,619	207,284	208,995	207,101	21	25	20-30
Risk Control Assets								
			** Insight Redemption of £5m in May & £3m in July22					
Bonds - Blackrock - FI	42,083	39,930	38,869	35,997	37,659	4	5	
Bonds - Blackrock - IL passive LCIV	46,463	43,079	39,265	37,178	39,413	4	5	
Alternatives - LCIV Alt Credit Fund	103,777	102,592	100,124	95,414	96,924	10	10	
Bonds - LCIV Global Bond Fund	46,816	44,695	44,739	43,243	44,409	5	5	
Total Risk Control Assets	239,138	230,296	222,996	211,832	218,406	23	25	20-30
Cash & NCA								
Cash Managers (Blackrock)	10,736	10,740	10,746	7,755	7,765			
Cash NatWest	7,288	9,319	12,214	9,914	10,095			
Cash Custodian (JP Morgan)	5,977	3,382	3,381	3,380	280			
Blackrock Dividends (Pending Reinvestment)	291	291	578	578	579			
Debtors and Creditors	1,054	1,368	-1,414	3,261	1,058			
CIV Investment	150	150	150	150	150			
Total Net Current Assets	25,496	25,251	25,656	25,039	19,928	1	0	
Total Assets	1,018,011	983,650	967,969	928,858	968,805	100	100	
Assets Pooled								
- LCIV Funds	39.0%	39.2%	43.0%	47.0%	47.7%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	31.0%	30.9%	30.4%	30.0%	30.6%		29.0%	
Total % Pooled	70.0%	70.1%	73.5%	77.0%	78.3%		82.5%	

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Report for: Pension Board

Date of Meeting:	6 October 2022
Subject:	Draft Pension Fund Annual Report for 2021-22
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not Applicable
Enclosures:	Appendix 1 – Audit Strategy Memorandum (Mazars) Appendix – 2 Draft Pension Fund Annual report for 2021-22

Section 1 – Summary and Recommendations

This report presents the draft Pension Fund Annual Report for the year ended 31 March 2022, and the External Audit Plan on which the Board's comments are invited. It will also update on progress with the 2021-22 audit.

Recommendations:

The Board is requested to note the draft Annual Report and to make comments for submission to the Pension Fund Committee.

Section 2 – Report

1. The Accounts and Audit (England) Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Previous timetable deadlines have meant that the draft Statement of Accounts must be published by 31st May with the audited version being published by 31st July each year.
2. Following the Coronavirus pandemic the legislative requirements were relaxed and this has continued for 2021-22. The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) revised the deadlines to

31st July 2022 for the draft accounts and 30th November 2022 for the audited accounts.

3. The audit is again being carried out by Mazars. Their “Audit Strategy Memorandum”, which sets out their plan for carrying out the audit of the Pension Fund Accounts is enclosed as **Appendix 1**. This was considered by the GARMS Committee on 2 August 2022.
4. The audited Pension Fund Annual Report is required to be published by 1 December 2022 – this requirement has not changed. The draft annual report (which contains the 2021-22 Pension Fund Accounts) is enclosed as **Appendix 2**.
5. The audit of accounts is in progress, and the outcome will be reported to the Pension Fund Committee’s next meeting on 23 November 2022, together with the audited Annual report for approval.
6. To assist in the Board’s consideration of this matter they are advised of the following key points:

- Fund Revenue Account

During the year 2021-22, the net assets of the Fund increased from £968m to £1,018m. This reflected the continued buoyancy of investment markets in 2022, although markets did fall back during the final quarter of the year.

- The Harrow annual return performance has been as follows:

	Annual Performance (%)	Benchmark (%)
1 year	5.7	6.6
3 years	6.6	8.5
5 years	6.0	7.9

The fund’s underperformance against its benchmark return in all periods largely results from the poor performance of some of its investment managers. The Fund has taken steps to address this during 2021 and 2022, replacing two of its equity managers in that time.

- Accounts for year ended 31 March 2022

	£m
Contributions by members and employers (including transfers)	-39.2
Benefits paid (including transfers)	43.1
Investment income	-7.0
Management expenses (including fees charged by investment managers of £3.8m)	5.3
Profits on sales an increase in market value of investments	-52.3

- Scheme Overview

At 31 March, the

- Number of pensioners has increased from 5,795 in 2019 to 6.460 in 2022.

- Number of deferred pensioners has decreased from 6,966 in 2018 to 6,957 in 2022.
 - Number of active members increased from 5,400 in 2018 to 5,586 in 2022.
7. 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. Cashflow (even after taking account of investment income) is now slightly negative, although the investment strategy retains sufficient liquidity to address this in the short to medium term. The impact of stable membership, longevity and pension increases are likely to increase future cash outflows gradually. In the longer term, it is likely that this will have to be factored into the investment strategy.

Legal Implications

8. There are no direct legal implications arising from this report.
9. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
10. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
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- a. The effectiveness of the decision making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund's activities
 - d. The administration of benefits and contributions
13. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
14. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service

Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

15. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

16. 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

17. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be in December 2022.
18. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 27/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22/09/2022

Chief Executive: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 27/09/2022

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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Audit Strategy Memorandum

London Borough of Harrow Pension Fund

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Year ending 31 March 2022



Contents

- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Fees for audit and other services
- 06** Our commitment to independence
- 07** Materiality and misstatements

- 38** Appendix – Key communication points

This document is to be regarded as confidential to London Borough of Harrow Pension Fund. It has been prepared for the sole use of the Governance, Audit, Risk Management and Standards committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



Governance, Audit, Risk Management and Standards Committee
Harrow Council
Civic Centre
Station Road
Harrow
HA1 2XY

19 July 2022

Mazars LLP
30 Old Bailey
London,
EC4M 7AU

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Harrow Council Pension Fund for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Harrow Council Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07387 242052.

Yours faithfully

Lucy Nutley

Mazars LLP

Mazars LLP – 30 Old Bailey, London, EC4M 7AU

www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30, Old Bailey, London, EC4M 7AU. We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

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Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of London Borough of Harrow Pension Fund (the Pension Fund) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or The Governance, Audit, Risk Management and Standards Committee, as those charged with governance, of their responsibilities.

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The Director of Finance and Assurance is responsible for the assessment of whether it is appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance and Assurance's use of the going concern basis of accounting in the preparation of the financial statements.



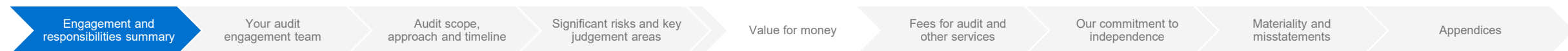
Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and include internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of London Borough of Harrow and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



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Section 02:

Your audit engagement team


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2. Your audit engagement team


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Lucy Nutley
Director and Engagement Lead
Email: Lucy.Nutley@mazars.co.uk
Telephone: 07387 242052



Stuart Frith
Engagement Senior Manager
Email: Stuart.Frith@mazars.co.uk
Telephone: 07909 982774



Paddy Sadd
Audit Manager
Email: Paddy.Sadd@mazars.co.uk
Telephone: 07581 008590

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Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is designed to provide an audit that complies with all professional requirements

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

45 We conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

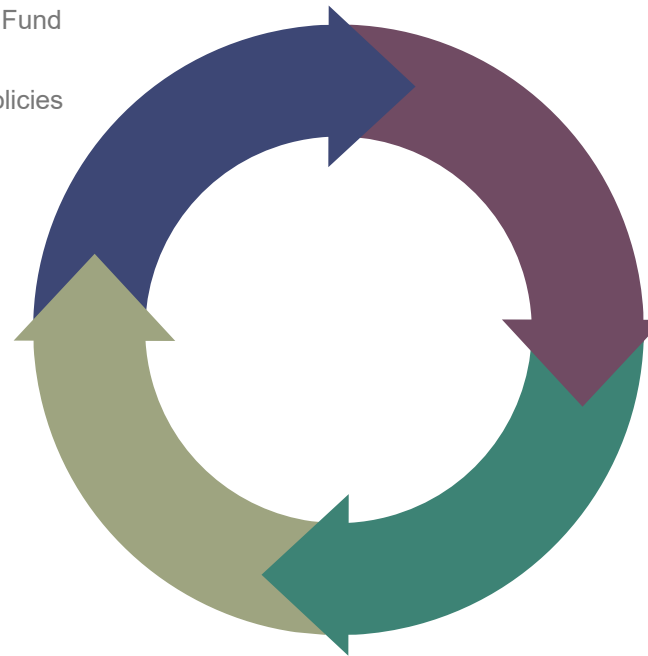
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Planning - March 2022

- Planning visit and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion - September to November 2022

- Final review and disclosure checklist of financial statements
- Final file review
- Agreeing content of letter of representation
- Reporting to the Governance, Audit, Risk Management and Standards Committee
- Reviewing subsequent events
- Signing the auditor's reports



Interim - March to July 2022

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Reassessment of audit plan and revision if necessary

Fieldwork - July to September 2022

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

Management makes use of experts in specific areas when preparing the Pension Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary PwC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the fund that prepare valuations	At this stage we have not engaged our own expert for the valuation of level 3 investments. However, we may engage an expert if considered necessary to support the valuation of unusual or complex level 3 investments.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
The calculation and payment of pension benefits, assessment of funding levels based on existing pensioner data.	Harrow Council	We will seek appropriate confirmation that the Council’s controls and procedures have operated as designed throughout the year and that no weaknesses have been identified that would have a material impact on the information provided to the Pension Fund
Investment valuations and income and all related disclosures	Investment managers	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures	Custodian	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.



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Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

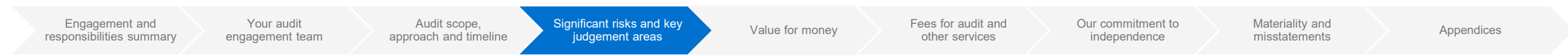
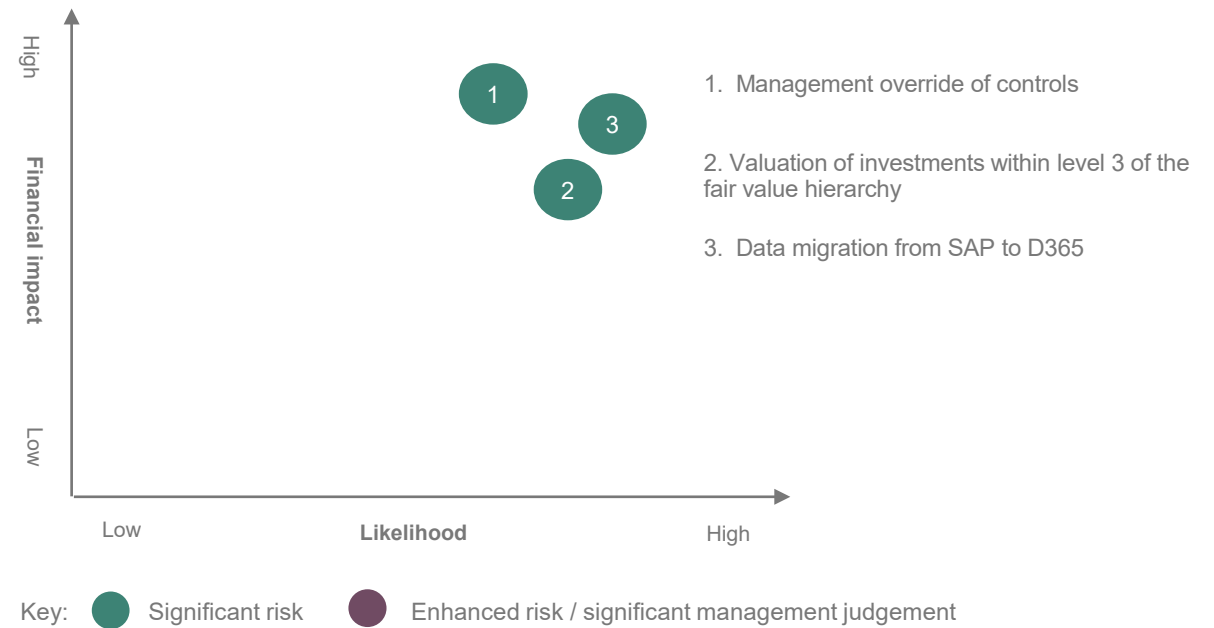
- Key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the London Borough of Harrow Pension Fund. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Governance, Audit, Risk Management and Standards Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p> <p>We will address the risk through performing audit procedures, covering a range of areas including (but not limited to):</p> <ul style="list-style-type: none"> • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • journals and other adjustments recorded in the general ledger in preparing the financial statements.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Data migration from SAP to D365</p> <p>During 2021/22, Harrow Council has undertaken an accounting system migration from SAP to D365. In October 2021, the nominal ledger, accounts receivable and accounts payable functions were closed in SAP and became managed via Dynamics365 (D365). Payroll migrated in April 2022.</p> <p>There is a risk that the migration will not capture all data held in the prior system. The omission of such data could ultimately lead to material misstatement within the financial statements. The implementation of a new system also poses a significant risk to the integrity and validity of the Pension Fund's financial reporting if change management processes are not robust and the new system is not correctly tested and implemented.</p> <p>There is a further risk the migration leads to a loss of data and accounting records during transfer. Such a loss of data may result in a risk that during the audit, we are unable to obtain sufficient and appropriate third party evidence to support transactions entered into by the Pension Fund.</p>	○	●	○	<p>We plan to address this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • Reviewing the Council's reconciliation of old system closing balances to the new system opening balances; • Engage internal IT specialists to perform tailored work around data migration process undertaken by the Council.

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Section 05:

Fees for audit and other services

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5. Fees for audit and other services

Fees for work as the Pension Fund’s appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Code Audit Work	£16,170	£16,170

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Section 06:

Our commitment to independence

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6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as

appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Lucy Nutley in the first instance.

Prior to the provision of any non-audit services Lucy Nutley will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



07

Section 07: **Materiality and misstatements**

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7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	9,700
Performance materiality	6,800
Specific materiality:	
- Fund Account overall materiality	3,600
- Fund Account performance materiality	2,500
58 <small>58</small> vial threshold for errors to be reported to the Governance, Audit, Risk Management and Standards Committee	290

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.



7. Materiality and misstatements

Materiality (continued)

Our provisional materiality is set based on a benchmark of net assets as at 3 March 2021. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Governance, Audit, Risk Management and Standards Committee.

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 1% of net assets. Based on the net fair value of investment assets we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £9.7m (£9.7m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on medium inherent risk, meaning that we have applied 70% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Governance, Audit, Risk Management and Standards Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £290k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Lucy Nutley

Reporting to the Governance, Audit, Risk Management and Standards Committee

The following three types of audit differences above the trivial threshold will be presented to the Governance, Audit, Risk Management and Standards Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

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Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;

- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Governance, Audit, Risk Management and Standards Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at the Governance, Audit, Risk Management and Standards Committee meetings



Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <p>63 our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</p> <ul style="list-style-type: none"> • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Governance, Audit, Risk Management and Standards Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Governance, Audit, Risk Management and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Audit, Risk Management and Standards Committee may be aware of.	Audit Completion Report and the Governance, Audit, Risk Management and Standards Committee meetings
<p>64th respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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London Borough of Harrow Pension Fund

Annual Report and Financial Statements for the
year ended 31 March 2022



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INTRODUCTION

The main purpose of the Pension Fund Annual Report is to account for the income, expenditure and net assets of the London Borough of Harrow Pension Fund ('the Fund') for the financial year to 31 March 2022. This Report also explains the administration and management of the Fund and its investment and funding policy objectives and asset allocation, as well as highlighting market and Fund performance.

Information about the economic resources controlled by the Fund is provided by the Net Assets Statement. The actuarial funding level is reported in Note 20 and in the Statement of the Appointed Actuary on page 50/51.

The Pension Fund Committee is responsible for overseeing the management, administration and strategic direction of the Fund. The Committee regularly reviews the Fund's investment strategy seeking to achieve appropriate returns within acceptable risk parameters. This in turn minimises the amount the Council and other employers will need to make in contributions to the Fund to meet future liabilities.

The Fund is a shareholder of the London LGPS Collective Investment Vehicle Ltd (LCIV) (the organisation set up to run pooled LGPS investments in London in 2015) and holds £150,000 of regulatory capital in the company in the form of unlisted UK equity shares. The Pension Fund Committee has committed to investing in LCIV as and when suitable pool investment solutions become available through LCIV and has been active in the transfer of assets under management to LCIV to access new asset classes and to gain efficiencies and fee reductions.

During 2021-22, the Pension Fund Committee continued its review of the Fund's Investment strategy. The realignment of the passive equity holdings managed by Blackrock into a Low Carbon passive equity fund was completed, as was the realignment of the Bond portfolio – which is now divided between passive Index Linked Gilts, Sterling corporate bonds (both managed by Blackrock) and the LCIV Global Bond Fund. A commitment of £50m was made to the LCIV Renewables Infrastructure Fund - of which approximately £13m was drawn down in 2021-22. There were further drawdowns against the earlier commitment to invest £68m of fund assets in the LCIV Infrastructure Fund, a total of £31m being invested at 31 March 2022. Finally, the Committee decided to redeem its Emerging Market Equity Portfolio with GMO, and to invest the proceeds in the LCIV Emerging Market equity Fund. That realignment will be completed in July 2022.

In line with the provisions of the Public Service Pensions Act 2013, the Council set up a Local Pension Board in 2015 to oversee the governance of the Pension Fund. During 2021-22, the Pension Board met four times and considered a range of reports on pension administration performance and pension fund governance arrangements, as well as reviewing four policies before these were adopted by the Committee.

Pension Board and Pension Fund Committee members attended training courses and seminars during the year to meet the knowledge and skills requirements of their respective roles.

Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") with effect from 3 January 2018, the Pension Fund Committee elected to opt up to professional client status with all its fund managers. This status has been maintained in 2021-22.

The net assets of the Fund as at 31 March 2022 were £1,018m compared to £968m as at 31 March 2021. The Fund's overall investment return for the year was 5.7%.



Dawn Calvert - CPFA
Director of Finance and Assurance
13th July 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON
BOROUGH OF HARROW**

SCHEME MANAGEMENT AND ADVISORS

Administering Authority	London Borough of Harrow
Pension Fund Committee	Councillor Nitin Parekh (Chair) Councillor Bharat Thakker (Vice Chair) Councillor Keith Ferry Councillor Norman Stevenson
Independent Advisers	Colin Robertson Richard Romain
Co-optee	Howard Bluston
Trade Union Observers	Vacant - Unison Pamela Belgrave - GMB
Officer	Dawn Calvert, Director of Finance
Actuary	Hymans Robertson LLP
Investment Consultant	Aon
Investment Managers	LaSalle Global Partner Solutions BlackRock Investment Management (UK) Limited GMO LLC Insight Investment Pantheon Ventures Record Currency Management Limited London LGPS CIV Ltd
AVC Providers	Clerical Medical Utmost (Previously Equitable Life) Prudential Assurance
Custodian	JP Morgan
Auditor	Mazars
Performance Measurement	Pensions and Investment Research Consultants
Bankers	Natwest PLC

GOVERNANCE ARRANGEMENTS

The Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund. The Committee met four times during the year. It comprises four Councillors with full voting rights and a non-voting co-optee. Representatives from the trade unions are able to participate as observers of the Committee but do not have voting rights.

The Pension Fund Committee has the following terms of reference:

- 1) to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the Fund), save for those matters delegated to other Committees of the Council or to an Officer;
- 2) the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- 3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 4) to establish a strategy for the disposition of the pension investment portfolio;
- 5) to appoint and determine the investment managers' delegation of powers of management of the fund;
- 6) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers);
- 7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups;

The Committee is advised by two independent advisers and an investment consultant.

The dates of the Pension Fund Committee meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<https://moderngov.harrow.gov.uk/ieListMeetings.aspx?CId=1297&Year=0>

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. In particular it oversees:

- a) the effectiveness of the decision-making process
- b) the direction of the Fund and its overall objectives
- c) the level of transparency in the conduct of the Fund's activities
- d) the administration of benefits and contributions

The dates of the Pension Board meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<https://moderngov.harrow.gov.uk/ieListMeetings.aspx?CId=1336&Year=0>

PENSION SCHEME ADMINISTRATION AND PERFORMANCE

Pension Section overview

The Pensions Team acts as the main point of contact for any membership enquiries. The team is responsible for all aspects of Local Government Pension Scheme administration; setting up new members, monitoring and maintenance of pension member records, employer contributions payment of benefits, transfer payments and Additional Voluntary Contributions. The team is also responsible for monitoring and cleansing members' data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators, the Fund Actuary and HMRC. The team produces annual benefits statements, newsletters and maintains the pensions website <https://www.harrowpensionfund.org>

The team of seven staff (6.15 full time equivalents) ensures delivery of a value for money service by managing a caseload with no backlog and meeting performance targets. In 2021-22 all Annual Benefit Statements were issued on time.

Performance Monitoring 2021-22

SERVICE	National Benchmarking Target	Harrow Achievement %
Issue letter notifying of dependent's benefit	5 days	76.47
Calculation and notification of ill health estimate	10 days	100
Calculation and notification of retirement benefits estimate	10 days	95.51
Issue letter to new pension provider detailing transfer-out quote	10 days	98.53
Calculation and notification of deferred benefits	10 days	96.72
Calculation and notification of retirement benefits	5 days	91.67
Process refund and issue payment	5 days	87.50
Calculation and notification of ill health benefits	5 days	90
Issue statutory notification on receipt of transfer funds	10 days	83.33

Pension Board monitors pension administration performance quarterly. There were no reported breaches of law during 2021-22.

The Internal Dispute Resolution Procedure which deals with complaint over the administration of pension benefits by the administering authority. There was one new complaint referred through the internal procedure during the year – this complaint was resolved in June 2022.

The costs of running the Pension Fund are shown below:

Process	2019-20	2020-21	2021-22
Investment management expenses			
Total Cost (£000)	4,050	3,840	3,828
Total Membership (No.)	18,451	18,577	19,003
Sub Cost per member (£)	219	207	201
Administration costs			
Total Cost (£000)	721	713	888
Total Membership (No.)	18,451	18,577	19,003
Sub Cost per member (£)	39	38	47
Oversight & governance costs			
Total Cost (£000)	634	602	615
Total Membership (No.)	18,451	18,577	19,003
Sub Cost per member (£)	34	32	32
Total cost per member (£)	292	277	281

Investment management costs include fund manager fees and the additional costs of fund transition on restructuring and fund re-balancing. The reduction in total management expenses, which has occurred despite the rise in the value of investments during the year, reflects the benefit of fee reductions negotiated by the London Collective Investment Vehicle, as more of the Fund is now invested in the LCIV or in passive funds at rates negotiated by LCIV.

Administration costs cover the administration of pensions and are mainly staff salaries and business overheads including pension payroll and pension system administration costs. The significant increase in 2021-22 reflects the new contract for the Pensions Administration system and the initial licensing fee payable.

Oversight and governance costs include staff salaries for pension fund manager performance monitoring and committee support and external costs for investment advisers, actuarial review and external audit. The increase in these costs in 2021-22 reflected the initial work required for the triennial valuation as at 31 March 2022.

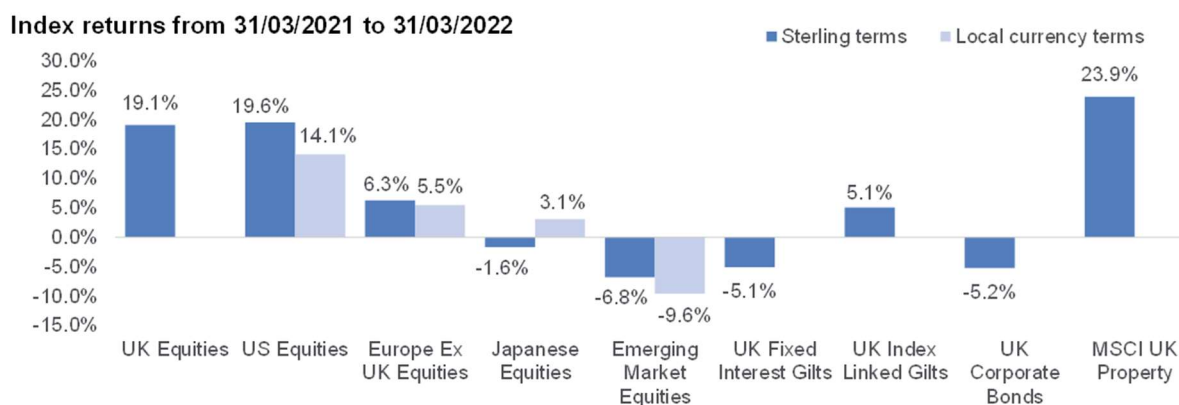
INVESTMENT POLICY AND PERFORMANCE

Investment Market Commentary (provided by Aon, April 22)

- Global equities generated positive returns over the last twelve months. Equities delivered solid returns in 2021, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, markets reversed some of their gains in Q1 2022 as geopolitical risk took centre stage with Russia invading Ukraine. Furthermore, major central banks continued to move forward with normalising monetary policy as inflation rates worldwide rose rapidly.
- The Russian invasion of Ukraine created significant market volatility and economic uncertainty over Q1 2022. G7 sanctions against Russia are likely to slow GDP growth this year and cause further supply chain disruption. While the US has banned Russian oil and gas imports, the picture in Europe is more complicated given its Russian oil and gas dependence. The UK indicated it would phase out Russian oil imports by the end of the year, and the European Union stated that it would reduce dependency on Russian energy by two-thirds this year. Germany also halted approval for the commercial use of Nord Stream 2, their natural gas pipeline sourced from Russia, although Nord Stream 1 remains operational.
- US equities posted the strongest local and sterling returns over the year, helped by their high exposure to large technology companies. After approving a \$1.9tn economic relief package, the US Senate passed a \$1.2tn bipartisan infrastructure bill. However, President Biden's ambitious \$1.75tn "Build Back Better" bill suffered a significant setback after his fellow Democratic Senator, Joe Manchin, opposed the bill due to rising inflation, a surging pandemic, and global uncertainty. In Q1 2022, the US equity market started poorly as inflation concerns led to the expectation of a faster than anticipated tightening of monetary policy, which weighed on the performance of sectors such as Information Technology and Consumer Discretionary. However, Economic data continue to be robust. The US economy added 678,000 jobs in February 2022 (above the previous month's upwardly revised 481,000 jobs) and the unemployment rate fell to 3.8%.
- UK equities were the second-best performing equity market in sterling terms over the last year. The reopening of the global economy bolstered the UK's Energy and Industrials sectors during 2021. However, the UK reported approximately 5 million Covid-19 cases in Q4 2021 due to the newly discovered Omicron variant, dampening equity returns relative to other regions such as the US and Europe over Q4. UK equities rebounded strongly over Q1 due to their tilt towards the Energy and Materials sectors. This performance was driven by fears over the supply of oil and other key commodities impacted by the conflict in Ukraine.
- Emerging markets (EM) were the worst-performing market in local currency and sterling terms over the last twelve months. The rise in interest rates by major central banks resulted in EM returns lagging other markets. State regulatory clampdowns across many of China's corporate sectors, and China's zero-tolerance covid policy causing several Chinese cities to enter strict lockdown dampened economic growth. Russian equities collapsed in price and MSCI and FTSE Russell removed "uninvestable" Russian equities from their widely-tracked emerging markets indices although the weight of Russia is not that large in the equity universe.
- On a global sector level, Energy (43.3%), Health Care (13.7%) and Technology (13.3%) were the best performing sectors in local currency terms. Communication Services (-6.4%) was the worst-performing sector, followed by Consumer Discretionary (-3.9%) and Industrials (4.1%).
- Sterling ended the twelve months 1.1% lower on a trade-weighted basis. In Q4 2021, the Bank of England (BoE) raised its benchmark interest rate by 15bps to 0.25% to combat inflation. In Q1 2022, the BoE increased its benchmark interest by another 50 bps to 0.75%. The expectation of higher interest rates and diminishing Brexit fears had improved sentiment over much of 2021, but the outbreak of war in Ukraine led to significant flows towards the US dollar.
- Brent crude oil prices rose by 69.8% to \$108/BBL over the last twelve months. Economic recovery and a cutback in production over the pandemic supported oil prices. In Q3 2021, OPEC+ reached an agreement to increase crude oil production by 400,000 barrels a day from August until the end of 2022, although this pace disappointed expectations. In the fourth quarter, the momentum in oil prices dropped as Omicron, and resurgent Covid fears surfaced. However, crude oil prices rose sharply during the first quarter as geopolitical tensions due to the Russia-Ukraine war further exacerbated supply fears.
- Yields fell in Q2 2021 as variant virus risks and worries over a slower pace of global economic recovery arose. Nominal yields then picked up once more over the third quarter of 2021, driving the negative performance of UK fixed-interest government bonds. Yields rose on the back of brought-forward interest rate hike

expectations against the background of rising inflation and central bank indications of policy rate increases. However, longer-dated yields briefly fell back in Q4 2021 due to heightened uncertainty surrounding Omicron. Short-dated yields later began to factor in potential monetary policy changes and saw notable increases. In Q1 2022, yields rose strongly across maturities due to expectations of future rate hikes. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 5.1%, whilst index-linked gilts rose by 5.1% over the last twelve months. Index-linked gilts significantly outperformed nominal gilts due to increased breakevens driven by expectations of more persistent inflation.

- Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 24bps to 130bps.
- UK commercial property returned 23.9% over the period, supported by an income return of 5.1% and an 18.0% increase in capital values. The easing of lockdown restrictions helped the retail sector as it returned 20.8% over the year. Meanwhile, the office sector returned 6.7% over the year, whilst industrials continued to outperform with a return of 42.3%.



Source: FactSet, MSCI (Equities, Property), iBoxx (Corporate Bonds), FTSE (Gilts)

Investment Policy

The objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

The assets of the Fund are invested with the primary objective of being to achieve a return that is sufficient to meet the funding objective, subject to an appropriate level of risk and liquidity. Over the long-term it is expected that the Fund's investment returns will be at least in line with the assumptions underlying the actuarial valuation.

Related objectives are to seek to minimise the level and volatility of employer contributions necessary to meet the cost of pension benefits.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either

directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks, including currency fluctuations.

The Committee aims to achieve its investment objective by maintaining a high allocation to growth assets, mainly equities, reflecting the security of the sponsor’s covenant, the funding level, the long time horizon of the Fund and the projected asset class returns and volatility. Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole Fund.

The cumulative cost of pooling for the Pension Fund to 31 March 2022 is £0.614m paid to the London CIV for annual service charges and development funding

The following table compares the actual asset allocation as at 31 March 2022 to the agreed allocation

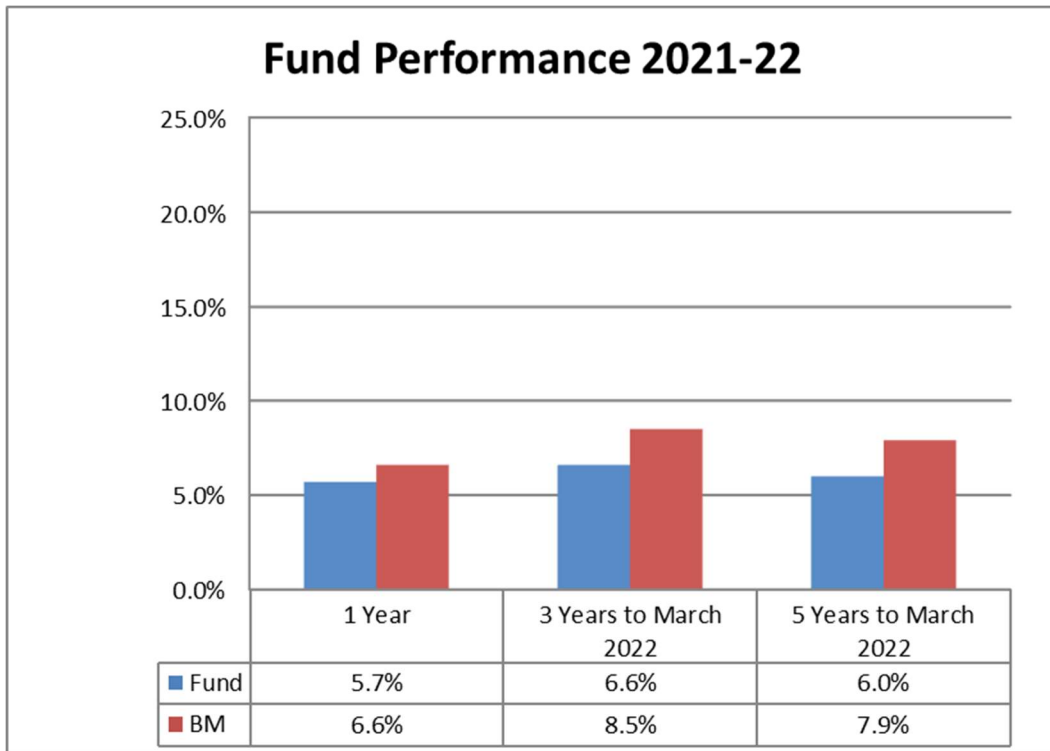
Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	26	24
Developed world equities-active	20	18
Emerging markets equities-active	7	8
Fixed interest securities	5	5
Global Bonds	5	5
Index linked securities	4	5
Private equity	1	1
Cash	2	0
Forward currency contracts	(0)	0
Diversified growth funds	9	5.5
Multi Asset Credit	10	10
Pooled property	7	6
Infrastructure	4	12.5
Total	100	100

The investment style is to appoint fund managers with appropriate performance benchmarks and place maximum accountability for performance against that benchmark with them. The Fund’s managers are appointed to give diversification of investment approach and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management. Private equity managers are remunerated through fees based on commitments and through performance related fees.

Fund performance

The Fund uses Pensions and Investment Research Consultants (PIRC) as its independent investment performance measurement consultant.

Investment returns over 1, 3, and 5 years at 31st March 2022 are shown below.



The Fund's return of 5.7% during 2021-22 reflected the more modest growth in asset prices in the year, following the return of 24.9% in the previous year. The previous year's figure was an outlier reflecting the recovery in asset values from the "low point" of 31 March 2021 which was in turn the result of a significant fall in asset prices experienced during the last two months of 2019-20 as the Covid-19 pandemic impacted across all asset classes. Since March 2020, asset prices have increased to a level above their "pre-pandemic" level, although they have fallen back from their peak in December 2021.

Although the Fund, in common with all other LGPS funds, has its own unique benchmark and investment strategy, over the medium term it is reasonable to compare performance with other funds.

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013, Regulation 55 requires all administering authorities to produce a Governance Compliance Statement. This Statement must set out whether the Administering Authority delegates its function and, if so, what the terms, structure and operation of the delegation are. The Administering Authority must also state the extent to which a delegation complies with guidance given by the Secretary of State. The current Statement was agreed by the Pension Fund Committee on 24 March 2021 and can be found as Appendix 1.

<https://www.harrowpensionfund.org/resources/governance-compliance-statement-march-2021/>

Communications Policy Statement

The Local Government Pension Scheme Regulations 2013, Regulation 61 requires all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's strategy for communicating with members, members' representatives, prospective members and employing authorities, together with the promotion of the Scheme to prospective members and their employing authorities. The current Statement was agreed by the Pension Fund Committee on 24 March 2021 and can be found as Appendix 2.

<https://www.harrowpensionfund.org/resources/communications-policy-statement-march-2021/>

Funding Strategy Statement

Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2013 requires all administering authorities to produce a Funding Strategy Statement. The purpose of the Funding Strategy Statement is to explain the funding objectives of the Fund, in particular:

- How the costs of the benefits provided under the LGPS are met through the Fund;
- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

The Funding Strategy Statement is reviewed every three years at the same time as the triennial actuarial valuation of the Fund. An interim review of the Statement may be carried out and a revised Statement published if there has been a material change in the policy matters set out in the Statement or there has been a material change to the Investment Strategy Statement. The current Statement as approved by the Pension Fund Committee on 18 December 2019, and was updated to reflect the changes in Regulations which came into force in March 2020. It can be found as Appendix 3.

<https://www.harrowpensionfund.org/resources/funding-strategy-statement-march-2020/>

Investment Strategy Statement

Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

This Statement provides details of the Fund's investment policies including:

- The suitability of particular investments;
- The choice of asset classes, and
- Approach to risk.

The Statement also details the Fund's compliance with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – a guide to the application of the 2008 Myners Principles to the management of LGPS Funds'.

The current Statement as approved by the Pension Fund Committee on 13 September 2021 can be found as Appendix 4.

<https://www.harrowpensionfund.org/resources/investment-strategy-statement-september-2021/>

Local Government Pension Scheme Guide

A brief guide to the Local Government Pension Scheme can be found as Appendix 5

<https://www.harrowpensionfund.org/resources/brief-guide-to-the-lgps-2021/>

RISK MANAGEMENT

The Fund's primary long term risk is that the assets will fall short of its liabilities (i.e. promised benefits payable to members). The Pension Fund Committee is responsible for managing and monitoring risks and ensuring that appropriate risk management processes are in place and are operating effectively. The aim of risk management is to limit risks to those that are expected to provide opportunities to add value.

The most significant risks faced by the Fund and the procedures in place to manage these risks are described below:

Governance and Regulatory Risk

The failure to exercise good governance and operate in line with regulations can lead to financial as well as reputation risk. These risks are managed through:

- Decisions are taken by the Pension Fund Committee in the light of advice from the Investment Advisers and Investment Consultant and from officers;
- Regular reviews of the Investment Strategy Statement and Funding Strategy Statement that set out the high level objectives of the Fund and how these will be achieved;
- Tailored training for members;
- Reviews of the Pension Fund Committee agenda and papers by Harrow's Legal Department; and.
- Establishment of the Pension Board.

Sponsor Risk

The Fund was in deficit at the 2019 triennial valuation. Strong investment performance since that date suggests that the position has improved, although this may not be the same for all employers. However, as the scheme is open to future accrual, the key objective is to be fully funded in the future. The Actuary reviews the required level of contributions every three years, with the next review being carried out as at 31 March 2022. To protect the Fund and the Administering Authority, bonds and other forms of security are required from some of the Admitted employers.

Investment Risk

The Fund is invested in a range of asset classes as detailed in Note 14 to the accounts. This is done in line with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require pension funds to invest any monies not immediately required to pay benefits. These Regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. The largest asset class is listed equities, which has both a greater expected return and volatility than the other main asset classes. Potential risks affecting investments include:

Pricing Risk

The valuation of investments is constantly changing, impacting on the potential realisation proceeds and income. For example, the value of the Fund's investments decreased in value by 8.1% in 2019-20, largely due to the Covid-19 pandemic in the last quarter of the year, increased by 24.9% in 2020-21. Changes of a similar magnitude are possible in future, and this risk cannot be eliminated.

Procedures in place to manage the volatility of investments include:

- Diversification of the investments between asset classes, economic sectors and geographical areas to include equities, fixed interest and index linked bonds, property, multi assets mandates and private equity. The investment strategy is reviewed by the Pension Fund Committee and market conditions are reviewed to monitor performance at every meeting to determine if any strategic action is required;
- Global equities are managed by three active managers with different styles and one passive manager to reduce the risk of underperformance against benchmarks. The Investment Adviser provides quarterly reports on the performance and skills of each manager to the Pension Fund Committee; and
- The benefit liabilities are all Sterling based and to reduce the currency risk from non-Sterling investments, 50% of the overseas currency exposures are hedged to Sterling.

Liquidity Risk

Investments in some asset classes e.g. private equity, property and infrastructure, can be illiquid in that they cannot be realised at short notice. Around 12% of Harrow's Funds are in illiquid assets. This is deemed appropriate for the fund even though it has a slightly negative Cashflow. All cash balances are managed in accordance with the Council's Treasury Management Strategy Statement and are all currently readily accessible without notice.

Counterparty Risk

The failure by a counterparty, including an investee company, can lead to an investment loss. This risk is mainly managed through wide diversification of counterparties and also through detailed selection of counterparties by external fund managers.

Actuarial Risk

The value of the liability for future benefits is affected by changes in inflation, salary levels, life expectancy and expected future investment returns. Although there are opportunities to use financial market instruments to manage some of these risks, the Pension Fund Committee does not currently believe these to be appropriate. Changes to the benefits structure in 2014 had reduced some of these risks, although the recent "McCloud Judgement" is likely to have an adverse impact. These risks are all monitored through the actuarial valuation process and additional contributions required from employers should deficits arise.

Operational Risk

Operational risk relates to losses (including error and fraud) from failures in internal controls relating to investment managers and internally e.g. administration systems.

Controls at external fund managers are monitored through the receipt of audited annual accounts for each manager together with annual assessments of the control environment including reviews of internal controls reports certified by reporting auditors.

Controls within the Administering Authority are reviewed by Harrow's Internal Audit Team.

INTERNAL CONTROLS

To mitigate the risks regarding investment management, the Council obtains independent internal controls assurance reports from the reporting accountants of the relevant Investment manager.

These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported to the Pension Committee.

The results of the latest reviews are summarised below.

Fund Manager	Type of report	Assurance obtained	Reporting Accountant
Blackrock Inv Man UK Ltd	ISAE 3402	Reasonable assurance	Deloitte LLP
GMO LLC	AT-C 320 (SOC)	Reasonable assurance	PWC LLP
Oldfield Partners	AAF 01/06	Reasonable assurance	Deloitte LLP
Pantheon Ventures	ISAE 3402	Reasonable assurance	KPMG LLP
LaSalle Global Partner Sols	ISAE 3402/AAF 01/06	Reasonable assurance	PWC LLP
Insight Investments	ISAE 3402/SSAE 18	Reasonable assurance	KPMG LLP
Record Currency Man Ltd	ISAE 3402/AT-C 320	Reasonable assurance	RSM Risk Assurance Services LLP
LCIV MAC Fund	Internal Controls Report	Reasonable assurance	Deloitte LLP
LCIV Global Equity Focus Fund	Internal Controls Report	Reasonable assurance	EY
LCIV Infrastructure	Internal Controls Report	Reasonable assurance	EY

CONTACTS

Registered Address	Pensions Team London Borough of Harrow 3rd Floor South Wing, Civic Centre, Station road, Harrow, HA1 2XF
Administration Enquiries	Email : Pension@harrow.gov.uk Telephone Number: 020 8424 1186 Website: www.harrowpensionfund.org
Complaints and Advice	The Money and Pension Service 120 Holborn London EC1N 2TD Pensions Help line: 01159 659570 Website: www.moneyandpensionservice.org.uk The Pensions Regulator Telephone Number: 0345 600 1011 Website: www.thepensionsregulator.gov.uk The Pensions Ombudsman 10 South Colonnade Canary Wharf London E14 4PU Telephone Number: 0800 917 4487 Email: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk
Tracing Service	The Pension Tracing Service Telephone Number: 0800 731 0193 Website: www.gov.uk/find-pension-contact-details

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 and Assurance;
- 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 and Assurance's Responsibilities

The Director of Finance and Assurance 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 2022 and its income and expenditure for the year then ended.



Dawn Calvert – CPFA
Director of Finance and assurance
13th July 2022

Harrow Pension Fund Account as at 31 March 2022

2020-21 £'000		Notes	2021-22 £'000
	Dealings with members, employers and others directly involved in the fund		
(34,661)	Contributions	7	(36,058)
(2,027)	Transfers in from other pension funds	8	(3,066)
(89)	Other income		(33)
(36,777)			(39,157)
35,592	Benefits	9	36,974
3,908	Payments to and on account of leavers	10	6,141
0	Other Expenditure		0
39,500			43,115
2,723	Net (additions)/withdrawals from dealings with members		3,958
5,155	Management expenses	11	5,331
7,878	Net (additions)/withdrawals including fund management expenses		9,289
	Return on investments		
(6,745)	Investment income	12	(7,030)
(191,359)	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	(52,286)
(198,104)	Net return on investments		(59,316)
(190,226)	Net (increase)/decrease in the net assets available for benefits during the year		(50,027)
(777,758)	Opening net assets of the scheme		(967,984)
(967,984)	Closing net assets of the scheme		(1,018,011)

Net Assets Statement as at 31 March 2022

31 March 2021 £'000	Notes	31 March 2022 £'000
Investment assets		
933,374	Investments 14	996,706
9,083	Derivative contracts 14	1,191
20,675	Cash with investment managers 14	17,004
963,132		1,014,901
4,399	Cash deposits 14	7,288
967,531		1,022,189
Investment liabilities		
(947)	Derivative contracts 14	(5,232)
966,584		1,016,957
1,662	Current assets 21	2,154
140	Long Term Debtors 21A	140
968,386		1,019,251
(402)	Current liabilities 22	(1,240)
967,984	Net assets of fund available to fund benefits at the period end	1,018,011

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
13th July 2022

Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2022

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.

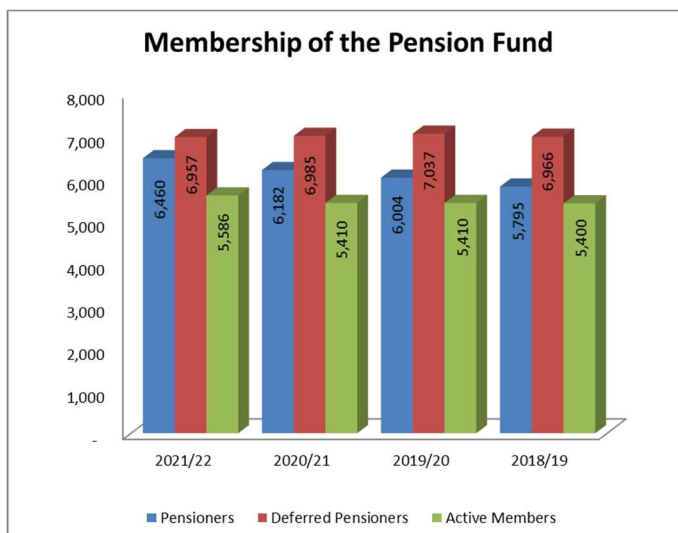
b) Membership

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 44 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	6011	5741	3574	15,326	80.64
Nower Hill	Scheduled Body	38	143	168	349	1.83
Stanmore College	Scheduled Body	99	153	92	344	1.80
Heathland and Whitefriars	Scheduled Body	19	86	190	295	1.54
Hatch End High	Scheduled Body	36	131	77	244	1.28
Rooks Heath	Scheduled Body	27	98	115	240	1.26
Park High	Scheduled Body	15	84	116	215	1.13
Canons High	Scheduled Body	17	80	112	209	1.10
Bentley Wood	Scheduled Body	12	90	68	170	0.89
Harrow High	Scheduled Body	17	59	80	156	0.82
St Dominics 6th form college	Scheduled Body	45	33	54	132	0.69
Aylward Primary School	Scheduled Body	9	32	76	117	0.62
Pinner High School	Scheduled Body	3	8	104	115	0.61
Priestmead School	Scheduled Body	4	6	93	103	0.54
Salvatorian Academy	Scheduled Body	21	51	17	89	0.47
St Georges Primary	Scheduled Body	5	5	78	88	0.46
St John Fisher	Scheduled Body	3	8	60	71	0.37
St Josephs Primary	Scheduled Body	4	4	62	70	0.37
Welldon Park School	Scheduled Body	3	5	56	64	0.34
Earlsmead Academy	Scheduled Body	7	11	37	55	0.29
Alexandra Academy	Scheduled Body	5	16	30	51	0.27
Sacred Heart High School	Scheduled Body	2	6	35	43	0.23
Avanti House Secondary School	Scheduled Body	0	4	38	42	0.22
St Bernadettes	Scheduled Body	7	5	30	42	0.22
St Jerome	Scheduled Body	1	2	38	41	0.22
Krishna Avanti Academy	Scheduled Body	0	16	18	34	0.18
Jubilee Academy	Scheduled Body	0	16	16	32	0.17
Avanti House Primary School	Scheduled Body	1	11	18	30	0.16
Avanti School Trust	Scheduled Body	0	2	7	9	0.05
Hujjat Primary School	Scheduled Body	0	0	7	7	0.04
NLCS	Community Admission Body	43	46	47	136	0.72
Evergreen	Admitted Body	0	0	19	19	0.10
ISS Catering	Admitted Body	3	1	11	15	0.08
SOS Ltd	Admitted Body	0	0	7	7	0.04
Brayborne Facilities Services	Admitted Body	0	0	6	6	0.03
SOS Longfield	Admitted Body	0	0	5	5	0.03
Wates (Linbrook)	Admitted Body	1	0	4	5	0.03
Evergreen Harrow High	Admitted Body	1	0	4	5	0.03
PSC Ltd	Admitted Body	0	0	4	4	0.02
PSC Roxeth	Admitted Body	0	0	4	4	0.02
PSC Vaughan	Admitted Body	0	0	3	3	0.02
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Aylward	Admitted Body	1	0	2	3	0.02
Evergreen LBH	Admitted Body	0	1	2	3	0.02
		6,460	6,957	5,586	19,003	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 2021-22 financial year and its position as at 31 March 2022. 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 2021-22' 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 2021-22.

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 Utmost (Previously Equitable Life) 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 2021-22 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 contribution 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 2022 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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £23.4m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £1.6m • a 0.1% increase in Pension benefits would increase the liability by approximately £21.6m
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 £5.4m 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. This fall in asset prices/values was more than offset by the subsequent recovery during 2020 and 2021. However, there has been a fall back in 2022 to date, due in part to geopolitical events (the Russian invasion of Ukraine and its impact on commodity prices) and their knock-on effect on inflation. 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. At the current time, it is still not possible to predict accurately the long term impact of Covid-19 on property investments in some locations and sectors of the economy.	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. For 2020/21, following the impact of Covid-19 on global markets, our fund managers advised that valuations were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight could be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – was attached to valuations of pooled property fund assets than would normally be the case. They have not applied the same caveat to the valuations reported as at 31 March 2022.	The total property pooled investments in the financial accounts are £71.33m. There is a risk that these investments may be understated or overstated in the accounts.

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 2021-22.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

2020-21		2021-22
£'000		£'000
(7,402)	Employees' contributions	(7,659)
	Employers' contributions:	
(18,995)	Normal contributions	(19,646)
(8,192)	Deficit recovery contributions	(8,564)
(72)	Pension strain contributions	(189)
(27,259)	Total employers' contributions	(28,399)
(34,661)	Total contributions receivable	(36,058)

By type of employer

2020-21		2021-22
£'000		£'000
(26,336)	Administering Authority	(27,028)
(7,385)	Scheduled bodies	(7,765)
(796)	Community admission body	(746)
(144)	Transferee admission bodies	(519)
(34,661)		(36,058)

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2020-21		2021-22
£'000		£'000
0	Group transfers	(2,499)
(2,027)	Individual transfers	(567)
(2,027)		(3,066)

NOTE 9: BENEFITS PAYABLE

By category

2020-21		2021-22
£'000		£'000
30,791	Pensions	31,640
4,097	Commutation and lump sum retirement benefits	4,672
704	Lump sum death benefits	662
35,592		36,974

By type of employer

2020-21		2021-22
£'000		£'000
33,505	Administering Authority	34,367
1,711	Scheduled bodies	2,214
313	Community admission body	250
63	Transferee admission bodies	143
35,592		36,974

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2020-21		2021-22
£'000		£'000
43	Refunds to members leaving service	54
228	Group transfers	2,350
3,637	Individual transfers	3,737
3,908		6,141

NOTE 11: MANAGEMENT EXPENSES

2020-21		2021-22
£'000		£'000
713	Administrative costs	888
3,840	Investment management expenses	3,828
602	Oversight and governance costs	615
5,155		5,331

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2021-22	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,773	1,735	38
Pooled Investments - Alternatives	948	937	11
Pooled Investments - Other	1,034	963	71
Derivatives	63	63	0
Custodian	10	10	0
	3,828	3,708	120

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

NOTE 12: INVESTMENT INCOME

2020-21		2021-22
£'000		£'000
(2,899)	Pooled Investments - Private equity	(2,975)
(859)	Pooled Investments - Property	(1,712)
(2,987)	Pooled investments - Other	(2,343)
(6,745)		(7,030)

NOTE 13: EXTERNAL AUDIT COSTS

2020-21		2021-22
£'000		£'000
(19)	Payable in respect of external audit	(16)
(19)		(16)

NOTE 14: INVESTMENTS

Market value		Market value
31 March 2021		31 March 2022
£'000		£'000
	Investment assets	
525,161	Pooled equities investments	541,760
122,361	Pooled bonds investments	135,362
201,053	Pooled alternative investments	197,553
16,099	Pooled infrastructure	45,180
864,674		919,855
61,561	Pooled property investments	71,330
150	Equity in London CIV	150
6,989	Private equity	5,371
9,083	Derivative contracts: forward currency	1,191
20,675	Cash with investment managers	17,004
963,132		1,014,901
4,399	Cash deposits	7,288
967,531	Total investment assets	1,022,189
	Investment liabilities	
(947)	Derivative contracts: forward currency	(5,232)
(947)	Total investment liabilities	(5,232)
966,584	All investments	1,016,957

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2021	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 2022
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	525,161	235,605	(267,409)	48,403	541,760
Pooled bonds investments	122,361	101,876	(80,730)	(8,145)	135,362
Pooled alternative investments	201,053	101,512	(112,309)	7,297	197,553
Pooled property investments	61,561	0	(448)	10,217	71,330
Pooled infrastructure	16,099	25,582	0	3,499	45,180
Equity in London CIV	150	0	0	0	150
Private equity	6,989	0	(273)	(1,345)	5,371
Derivative contracts	8,136	3,571	(8,108)	(7,640)	(4,041)
	941,510	468,146	(469,277)	52,286	992,665
Cash with investment managers	20,675				17,004
Cash deposits	4,399				7,288
	25,074				24,292
Net investment assets	966,584				1,016,957

	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	(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

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2021	Percentage of Fund	Manager	Investment assets	Market value 31 March 2022	Percentage of Fund
£'000	%			£'000	%
Investments managed by London CIV					
120,618	12	LCIV	Developed world equities-active	127,495	13
101,226	10	LCIV	Multi asset credit	0	0
0	0	LCIV	Alternative credit fund	103,777	10
67,238	7	LCIV	Sustainable equities	73,314	7
16,099	2	LCIV	Infrastructure funds	45,180	4
0	0	LCIV	Global bond fund	46,816	5
247,574	26	BlackRock	Global equities - passive	269,113	26
552,755	57		Total LCIV	665,695	65
Investments managed outside of the London CIV					
61,561	6	LaSalle	Pooled property	71,330	7
12,726	1	BlackRock	Cash with investment managers	11,027	1
97,538	10	BlackRock	Bonds - fixed interest	46,463	5
24,823	3	BlackRock	Bonds - index-linked active	42,083	4
4,399	1	Cash Deposits	Cash with Banks	7,288	0.5
89,731	9	GMO	Emerging markets equities-active	71,838	7
99,827	10	Insight	Diversified growth fund	93,776	9
7,949	1	JP Morgan	Cash with investment managers	5,977	0.5
150	0	LCIV	UK equities-passive	150	0
6,989	1	Pantheon	Private equity	5,371	1
8,136	1	Record	Forward currency contracts	(4,041)	(0)
413,829	43		Total - Managers	351,262	35
966,584	100		Total Investments	1,016,957	100

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

Market value 31 March 2021	% of total fund	Investment assets	Market value 31 March 2022	% of total fund
£'000			£'000	
247,574	26	Blackrock Equity Beta Portfolio	269,113	26
97,538	10	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	46,463	5
89,731	9	GMO Emerging Domestic Opportunities Equity Fund	71,838	7
99,827	10	Insight Broad Opportunities Fund	93,776	9
61,561	6	LaSalle Investors UK Real Estate Fund of Funds	71,330	7
120,618	12	LCIV Global Equity Focus Fund	127,495	13
101,226	10	LCIV Multi Asset Credit	0	0
0	0	LCIV Alternative Credit Fund	103,777	10
67,238	7	LCIV Sustainable Equity Fund	73,314	7
885,313	92	Total over 5% holdings	857,106	84

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 2022 £25.9m (7.25%) compared to £24.4m (6.60%) as at 31 March 2021.

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	CHF	7,201	GBP	(5,914)	32	
One to six months	GBP	2,433	AUD	(4,244)	7	
One to six months	GBP	5,842	CAD	(9,569)	22	
Over six months	GBP	25,543	EUR	(29,670)	346	
One to six months	GBP	5,045	HKD	(51,712)	20	
Over six months	GBP	10,912	JPY	(1,662,200)	491	
One to six months	GBP	726	NOK	(8,249)	10	
One to six months	GBP	109	NZD	(205)	0	
One to six months	GBP	2,810	SEK	(34,259)	13	
One to six months	GBP	907	SGD	(1,612)	2	
Over six months	GBP	86,414	USD	(113,445)	241	
Up to one month	JPY	765,400	GBP	(4,785)	7	
Up to one month	AUD	4,244	GBP	(2,429)		(8)
Up to one month	CAD	9,569	GBP	(5,843)		(22)
Up to one month	EUR	14,979	GBP	(12,695)		(32)
One to six months	GBP	2,287	AUD	(4,244)		(135)
One to six months	GBP	5,552	CAD	(9,569)		(268)
One to six months	GBP	11,778	CHF	(14,402)		(140)
One to six months	GBP	241	EUR	(288)		(2)
Over six months	GBP	12,646	EUR	(14,979)		(69)
One to six months	GBP	4,930	HKD	(51,712)		(86)
Over six months	GBP	4,820	JPY	(765,400)		(8)
One to six months	GBP	692	NOK	(8,249)		(25)
One to six months	GBP	103	NZD	(205)		(5)
One to six months	GBP	249	SEK	(3,077)		(2)
One to six months	GBP	883	SGD	(1,612)		(22)
One to six months	GBP	5,416	USD	(7,323)		(147)
Over six months	GBP	162,875	USD	(219,567)		(3,943)
Up to one month	HKD	51,712	GBP	(5,037)		(20)
One to six months	JPY	65,700	GBP	(420)		(9)
Over six months	JPY	65,700	GBP	(421)		(9)
Up to one month	NOK	8,249	GBP	(727)		(10)
Up to one month	NZD	205	GBP	(109)		(0)
Up to one month	SEK	18,668	GBP	(1,529)		(7)
Up to one month	SGD	1,612	GBP	(907)		(2)
Up to one month	USD	113,445	GBP	(86,440)		(261)
Open forward currency contracts at 31 March 2022					1,191	(5,232)
Net forward currency contracts at 31 March 2022						(4,041)
Prior year comparative						
Open forward currency contracts at 31 March 2021					9,083	(947)
Net forward currency contracts at 31 March 2021						8,136

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 Investments - Alternative Credit / Bonds	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 International Private Equity and Venture Capital Valuation (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 2022 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2022	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	6.52%	5,371	5,722	5,021
Pooled investments - Infrastructure	7.03%	45,180	48,357	42,004
Pooled investments - property funds	4.10%	71,330	74,255	68,406
		121,881	128,334	115,431

	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

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 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled equities investments	541,760			541,760
Pooled bonds investments	88,546	46,816		135,362
Pooled alternative investments	93,776	103,777		197,553
Pooled property investments			71,330	71,330
Pooled infrastructure			45,180	45,180
Private equity			5,371	5,371
Derivative contracts: forward currency		(4,041)		(4,041)
Cash Deposits / Other	24,292	150		24,442
Total	748,374	146,702	121,881	1,016,957

	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

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

None

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

Period 2021/22	Market Value 31 March 2021	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 2022
	£000	£000	£000	£000	£000	£000	£000
Private Equity	6,989	0	0	0	(273)	(1,345)	5,371
Pooled - Infrastructure	16,099	0	0	25,582	0	3,499	45,180
Pooled - property	61,561	0	0	0	(448)	10,217	71,330
	84,649	0	0	25,582	(721)	12,371	121,881

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

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 2021			31 March 2022		
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					
525,161	0	0	Pooled equities investments	541,760	0
122,361	0	0	Pooled bonds investments	135,362	0
201,053	0	0	Pooled alternative investments	197,553	0
16,099	0	0	Pooled Infrastructure	45,180	0
61,561	0	0	Pooled property investments	71,330	0
150	0	0	Equity in London CIV	150	0
6,989	0	0	Private equity	5,371	0
9,083	0	0	Derivative contracts	1,191	0
0	26,109	0	Cash	0	25,676
0	767	0	Debtors	0	910
942,457	26,876	0		997,897	26,586
Financial liabilities					
(947)	0	0	Derivative contracts	(5,232)	0
0	0	(402)	Creditors	0	(1,240)
(947)	0	(402)		(5,232)	(1,240)
941,510	26,876	(402)		992,665	(1,240)
967,984			Grand Total	1,018,011	

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	14.10
Bonds	7.90
Alternatives	7.00
Pooled Property	4.10
Private Equity	6.50

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 2022	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	537,719	14.10	613,538	461,901
Pooled bond investments	135,362	7.90	146,056	124,669
Pooled alternative investments	197,553	7.00	211,382	183,724
Pooled property investments	71,330	4.10	74,255	68,406
Private Equity	5,371	6.50	5,721	5,022
Pooled Infrastructure	45,180	7.00	48,343	42,018
Equity - London CIV	150	0.00	150	150
Total	992,665		1,099,445	885,890

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

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 2022 and 31 March 2021 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 2022	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	24,292	0	24,292	24,292
Fixed interest securities	46,463	465	46,928	45,998
Global bond fund	46,816	468	47,284	46,348
Total change in assets available	117,571	933	118,504	116,638

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

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 7.2%

A 7.2% 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 2022	Change to net assets	
		+7.2%	-7.20%
	£'000	£'000	£'000
Overseas Pooled Equities	516,310	553,484	479,136

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

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 2022 was £24.3m (31 March 2021: £25.1m). This was held with the following institutions.

Summary	Balances at 31 March 2021	Balances at 31 March 2022
	£'000	£'000
Bank accounts		
Royal Bank of Scotland	4,399	7,288
JP Morgan	7,949	5,977
BlackRock	12,726	11,027
	25,074	24,292

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 2022 the value of illiquid assets was £121.9m. This represented 11.98% of the total Fund assets (31 March 2021: £84.6m).

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 for some employers 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 2021		31 March 2022
£m		£m
(1,389)	Present value of promised retirement benefits	(1,337)
871	Fair value of scheme assets	914
(518)	Net Liability	(423)

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

	2020-21	2021-22
	% pa	% pa
Inflation/pensions increase rate assumption	2.9	3.2
Salary increase rate	3.6	3.9
Discount rate	2.0	2.7

NOTE 21: CURRENT ASSETS

31 March 2021		31 March 2022
£'000		£'000
	Short Term Debtors:	
561	Contributions due - employers	768
66	Sundry debtors	2
1,035	Cash owed to Fund	1,384
1,662		2,154

NOTE 21A: LONG TERM DEBTORS

31 March 2021		31 March 2022
£'000		£'000
140	Lifetime Tax Allowances	140
140		140

NOTE 22: CURRENT LIABILITIES

31 March 2021		31 March 2022
£'000		£'000
(119)	Sundry creditors	(191)
0	Transfer values	(752)
(283)	Benefits payable	(297)
(402)		(1,240)

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31 March 2021		Market value 31 March 2022
£'000		£'000
2,676	Prudential Assurance	2,681
617	Clerical Medical	577
237	Utmost (Previously Equitable Life)	237
3,530		3,495

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 2021		31 March 2022
£'000		£'000
(20,663)	Employer's Pension Contributions to the Fund	(21,187)
908	Administration expenses paid to the Council	1,078
1,035	Cash held by the Council	1,384

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 2021		31 March 2022
£'000		£'000
105	Short-term benefits	112
0	Termination benefits	0

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2022 totalled £77.8m (31 March 2021: £53.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and commitments in the LCIV Infrastructure Fund and LCIV Renewable 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 2021/22

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 over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.



Laura McInroy FFA

24 June 2022

For and on behalf of Hymans Robertson LLP

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Report for: Pension Board

Date of Meeting:	6 October 2022
Subject:	Taskforce on Climate-related Financial Disclosures - Consultation
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	None

Section 1 – Summary and Recommendations

This report summarises the recently issued Government Consultation paper on Governance and Reporting of Climate Change Risks.

Recommendations:

The Board is requested to note the report.

Section 2 – Report

1. In recent years there has been a growth in concern about how the Local Government Pension Scheme’s (LGPS) investments are made in the context of the potential impacts of climate change. This has been reflected in an increased emphasis being placed LGPS Funds and their investment managers on Environmental, Social and Governance (ESG) issues.
2. On 1 September 2022 the Department for Levelling Up, Housing and Communities (DLUHC) published a consultation paper seeks views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closes on 24 November 2022.

3. The approach builds upon the existing requirements contained in the LGPS (Management and Investment of Funds) regulations 2016, which include requirements to state in the Investment Strategy Statement the Fund's approach to ESG matters.
4. The consultation sets out the proposed requirements for the LGPS. In summary, each administering authority will have to consider and report against four key areas
 - Governance – the organisation's governance around climate related risks and opportunities
 - Strategy – the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning
 - Risk Management - The processes used by the organisation to identify, assess and manage climate-related risks
 - Metrics and Targets - The metrics and targets used to assess and manage relevant climate-related risks and opportunities
5. The key requirements are
 - Establish and maintain a governance approach for oversight of climate risks and opportunities
 - Assess the impact of climate risks and opportunities on Funding and Investment strategies
 - Carry out scenario analysis reflecting different temperature pathway alignments (one of which must be "Paris aligned")
 - Establish and maintain processes for identifying and managing climate risks and opportunities
 - Report on a minimum of four prescribed climate metrics which need to be measured and disclosed annually
 - Set a (non-binding) target in relation to one metric, chosen by the authority
 - As part of ongoing disclosure requirements, publish an annual climate risk report. The Scheme Advisory Board will also prepare an annual report linking to individual funds' reports and aggregating figures for prescribed metrics
 - Other requirements including taking proper advice and having the required knowledge and skills.
6. Metrics – currently, four are proposed –
 - Total carbon emissions – see paragraph 7 below
 - Carbon footprint metric (this is intended to be a "carbon intensity" measure – reflecting that larger funds will inevitably have larger total emissions)
 - Data quality – a statement indicating the proportion of the Fund's assets for which data which is verified, reported, estimated or unavailable.
 - A Paris alignment metric - the percentage of the fund's assets for which a public "Paris aligned" commitment has been made, i.e. net zero by 2050

7. Measurement is likely to be a particular challenge – as there are 3 types of emissions
 - Scope 1 emissions are all direct emissions from the activities of an organisation or activities under its control. These emissions include fuel combustion on site such as gas boilers.
 - Scope 2 emissions are indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy which is eventually used by the organisation.
 - Scope 3 emissions are all other indirect emissions from activities of the organisation, occurring from sources that they do not directly control. These are sometimes the greatest share of a carbon footprint, covering emissions associated with business travel, procurement, production of inputs, use of outputs, waste, and water.

Inevitably, it is much more difficult to measure scope 3 emissions accurately, and reporting on scope 3 emissions is less well developed.
8. To ensure consistency of reporting across the LGPS, it is likely that there will be mandatory guidance issued – and that the Scheme Advisory Board will develop a standard template for Funds’ use, which will also facilitate scheme level reporting.

Legal Implications

9. There are no direct legal implications arising from this report.
10. The terms of reference for the Board include the Board’s role as set out in the following paragraphs.
11. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
 - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - such other matters the LGPS regulations may specify.
12. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
13. In its role, The Board will have oversight of the administration of the fund including:
 - a. The effectiveness of the decision making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund’s activities

- d. The administration of benefits and contributions
14. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
15. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
16. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

17. There is 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. The work to deliver the triennial valuation will result in additional fees payable to the Fund's actuary, Hymans Robertson. These costs are being / will be met from the Pension Fund.

Risk Management Implications

18. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered elsewhere on the agenda for this meeting.
19. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

20. Was an Equality Impact Assessment carried out? No
21. 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.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 27/09/2022

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 22/09/2022

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 27/09/2022

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:	6 October 2022
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 2022-23 Municipal Year.

Recommendations:

The Board is requested to note the dates of the meetings for 2022-23 and to comment on the proposed work programme.

Section 2 – Report

1. The Pension Board meets quarterly. This is the Board’s first meeting of the 2022-23 municipal year.
2. A suggested work programme for 2022-23 is shown in the table below. Further items will be added as required.

Matter for Consideration	Board Meeting
Items for consideration at each meeting (all years)	
Pensions Administration – Performance monitoring	Quarterly report – to include updates on McCloud and Exit Cap and Scheme Advisory Board
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
2022-23 Items	
Pension Fund Risk Register Review	March 2023
Annual Report and Financial Statements for year ended 31 March 2022	December 2022 – to review the external auditor’s report on the accounts.
Regulatory Updates	Ad hoc – as changes occur. Two items expected are <ul style="list-style-type: none"> - Revised LGPS Regulations for implementing McCloud - A consultation paper about LGPS Investment (covering pooling and the “Levelling Up White Paper”.
Review of Fund Policies	Continuing to Prepare for the implementation of the Good Governance Review <ul style="list-style-type: none"> - Representations Policy
Triennial valuation 2022	Progress updates at each meeting <ul style="list-style-type: none"> - Funding Strategy Statement Consultation process – December 2022 - Final report – March 2023

3. For Board members’ information, dates for meetings of the Board and of the Pension Fund Committee for the remainder of 2022-23 are as follows:

- Pension Board
 - 1 December 2022
 - 2 March 2023
- Pension Fund Committee
 - 12 October 2022 (rescheduled from 19 September)
 - 23 November 2022
 - 29 March 2023

Legal Implications

4. There are no direct legal implications arising from this report.
5. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
6. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
 - securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - such other matters the LGPS regulations may specify.
7. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.
8. In its role, The Board will have oversight of the administration of the fund including:
 - a. The effectiveness of the decision making process
 - b. The direction of the Fund and its overall objectives
 - c. The level of transparency in the conduct of the Fund's activities
 - d. The administration of benefits and contributions
9. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
10. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
11. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

12. 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

13. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be in December 2022.
14. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 27/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 22/09/2022

Chief Executive: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 27/09/2022

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