

Pension Board Agenda

Date: Thursday 2 March 2023

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 |
| Dr Simon Radford | - Employer Representative – Scheduled and Admitted Bodies |

Contact: Nikoleta Kemp, Senior Democratic and Electoral Services Officer
Tel: 07761 405898 Email: nikoleta.kemp@harrow.gov.uk

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Useful Information

Joining the Meeting virtually

The meeting is open to the public and can be viewed online at [London Borough of Harrow webcasts](#)

Filming / recording

This meeting may be recorded or filmed, and if you choose to attend, you will be deemed to have consented to this. Any recording may be published on the Council website.

Agenda publication date: Wednesday 22 February 2023

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 all Members present.
2. **Minutes** (Pages 5 - 10)
That the minutes of the meeting held on 1 December 2022 be taken as read and signed as a correct record.
3. **Public Questions**
To note any public questions received.

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, 27 February 2023. 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.
5. **Deputations**
To receive deputations (if any).
6. **Pensions Administration Update to 31 December 2022** (Pages 11 - 20)
Report of the Director of Finance and Assurance.
7. **Review of Pension Fund Committee Items** (Pages 21 - 28)
Report of the Director of Finance and Assurance.
8. **2022 Triennial Valuation** (Pages 29 - 62)
Report of the Director of Finance and Assurance.
9. **Draft Responsible Investment Policy** (Pages 63 - 92)
Report of the Director of Finance and Assurance.
10. **London CIV and Investment Pooling Update** (Pages 93 - 98)
Report of the Director of Finance and Assurance.
11. **Pension Board Work Programme for 2023/24** (Pages 99 - 104)
Report of the Director of Finance and Assurance.
12. **Any Other Business**
Which cannot otherwise be dealt with.
13. **Exclusion of the Press and Public**
To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
14	London CIV and Investment Pooling Update – Appendices 1,2 and 3.	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).

Agenda - Part II

14. **London CIV and Investment Pooling Update** (Pages 105 - 232)
Appendices 1,2 and 3 to the report of the Director of Finance and Assurance.

Data Protection Act Notice

The Council will record the meeting and will make the recording available to watch on the Council's website.

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



Pension Board

Minutes

1 December 2022

Present:

Chair: Mr R Harbord

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

24. Declarations of Interest

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

25. Minutes

RESOLVED: That the minutes of the meeting held on 6 October 2022, be taken as read and signed as a correct record.

26. Public Questions

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

27. Petitions

RESOLVED: To note that no petitions had been received.

28. Deputations

RESOLVED: To note that no deputations had been received.

Resolved Items

29. Pensions Administration Update to 30 September 2022

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

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

1). The pensions administration performance statistics were measured against the national benchmarks for the Quarter to 30 September 2022 and were set out in Appendix 1 to the officer report. Officers reported a drop in performance in the last quarter, similarly to that in the previous quarter, the main reason for which were the ongoing challenges with the Council's new payroll system which had made the preparation of the pension payroll more labour intensive and had impacted on the speed at which the team carried out its work. Since October, performance had improved and was expected to be up to date with workload and backlogs by the end of the quarter. The triennial valuation was also due to be completed soon which would further reduce demand on the Pensions Team.

2). A response had been received from the Pension Ombudsman, recommending that a review on one of the cases be carried out and this was now in progress. No further update had been received on the other two complaints. The Board expressed their disappointment on the length of time and inadequate progress made by the Pensions Ombudsman.

3). Limited progress had been made by central government on the consultation on the updated LGPS Regulations and this was now likely to be delayed to early 2023.

The Board welcomed the report and raised a number of questions which were responded to as follows:

4). In response to a question around the performance statistics set out in Appendix 1 to the officer report and whether the number of cases can be shown to allow the Board to make an adequate comparison, officers explained that the items listed were those they had national benchmarking targets for. There was optimism that the next set of statistics would see the Pensions Team closer to targets.

5). In response to a question on pension members numbers for the last quarter (paragraph 3, table1 of the officer report), the Board was informed that the significant difference (from 18,538 to 19,129) was a combination of additional staff intake at a new Harrow school, the impact of the auto re-enrolment and a number of members who hadn't opted out by the deadline.

RESOLVED: That the report be noted.

30. Review of Pension Fund Committee Items

The Board received a report which summarised the matters due to be considered by the Pension Fund Committee (PFC) at its last meeting on 23 November 2022 and invited the Board's comments.

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

1). The PFC met on 23 November 2022 at the Harrow Council Hub. A training session on the audit process for the Pension Fund Annual Report and Accounts 2021/22 was delivered by Mazars.

2). The PFC considered a number of items including a review of the risk register and the triennial valuation, both of which were included in the agenda for today's Pension Board. The Committee also reviewed and approved the draft response to the Government consultation on climate-related financial disclosures and recommended that further work be undertaken on the draft investment policy.

3). Whilst noting that the Pension Fund investments were valued at £899m, as at 30 September 2022, the Board's attention was drawn to a £12m withdrawal in early October 2022 from the global equities which was made in order to meet cash settlements required for currency hedging (details in Appendix 1 to the officer report).

4). Funding levels had improved since the 2022 valuation, driven by the fact that the expected return had increased due to the increasing interest rate expectations, thereby significantly reducing the Fund's liabilities.

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

RESOLVED: That the report be noted.

31. Review of Pension Fund Risk Register

The Board received a report setting out the updated Pension Fund risk register and invited the Board's comments.

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

1). Since the last review a new 'red' risk, relating to the Fund becoming more cash negative from 2022/23 as a result of the increase in Pensions payable and reduction in the employer contributions from April 2023, had been identified along with appropriate mitigations.

2). Referencing Appendix 2 to the officer report, the Board was informed that the wording of Risk 9 was being updated to reflect the ongoing impact of investment pooling and the need for additional monitoring of Fund managers'

performance. Monitoring was carried out through regular meetings with the London CIV, which held managers to account and reported on their performance.

The Board suggested that a progress report on the London CIV in terms of investment performance and how it interacted with the Pension Fund Committee be presented at the next Board meeting. The Board also noted that many of the risks were not in Harrow Council's control and therefore had to be tolerated, with appropriate mitigation applied to any which were relevant to the performance of the Pension Fund.

RESOLVED: That the report be noted.

32. 2022 Triennial Valuation

Having noted the confidential Appendix 1, the Board received a progress report on the 2022 triennial valuation and sought Members' views on the draft Funding Strategy Statement.

The Local Government Pension Scheme (LGPS) Regulations required each Pension Fund to carry out a review every 3 years to evaluate its assets and liabilities. Work on Harrow's triennial valuation was underway and was being carried out by the Fund's Actuary, who would report its findings and issue a Rates and Adjustment Certificate that will set out details of the required employer contributions for each of the Fund's employers for the period 1 April 2023 to 31 March 2026.

A key part of the review process was the issuing of a Funding Strategy Statement (draft attached at Appendix 2 to the report). The purpose of the Statement was to set out how the Fund proposed to ensure it was able to meet its present and future liabilities in full and a draft was included for consultation with the Board in Appendix 2 to the officer report. It was noted that the Statement had been simplified with a number of underlying policies separated into appendices.

The final statement was expected to be agreed by Harrow Pension Fund Committee at its meeting on 29 March 2023 along with the final valuation report.

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

- 1). The Chair reminded that the role of the Pension Board was to ensure that the processes and regulations were adhered to and proposed that a collective statement on the Funding Strategy Statement be prepared by the Board for its next meeting before being referred to the Pension Fund Committee for consideration.
- 2). Members felt that it was fundamental for the solvency of the fund that the Board was involved in the consultation on the Strategy Statement and was confident that the rates put forward by the Fund's Actuary complied with the

appropriate governance. Members also noted that the role of the Board should be acknowledged in the Roles and Responsibilities section of the Strategy Statement.

3). The Board was informed of an online Employers Forum event scheduled to take place on 8 December 2022, at which the Actuary would present the valuation results and draft funding strategy statement to all scheme employers. It was agreed that the Board's Employer Representatives for Harrow Council and Scheduled and Admitted Bodies be invited to the event and receive copy of any papers circulated so they could be fully briefed on the discussions around the employer contributions and provide feedback to the Board.

RESOLVED: That the report be noted subject to the comments above and an invitation to the next Board meeting be extended to the Fund's Actuary.

33. Pension Board Work Programme For Future Meetings

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

Members were reminded that Pension Board training could be organised should a particular training need be identified. Details on upcoming Pension Fund Committee training sessions were also being finalised and would be shared with Pension Board members in due course.

The Board welcomed the work programme and requested that an update report on the London CIV and progress on the triennial valuation be added to the agenda for the next Board meeting.

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

(Note: The meeting, having commenced at 6.30 pm, closed at 7.42 pm).

(Signed) Richard Harbord
Chair

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Report for: Pension Board

Date of Meeting:	2 March 2023
Subject:	Pensions Administration Update to 31 December 2022
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1: Pension Administration Performance Monitoring to 31 December 2022

Section 1 – Summary and Recommendations

This report summarises the performance of the Pensions Administration team for the quarter ended 31 December 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 31 December 2022.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 30 December 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 had dropped in the quarter to 30 June and was similar in

the quarter to 30 September. This was linked to the impact of the Council's new payroll arrangements, which have made the preparation of the pension payroll more labour intensive, alongside the additional workload which is always required during a triennial valuation. Since the beginning of October performance has begun to improve and is now almost back to where we would expect. As an indication, we had a small backlog (i.e., the number of out-of-date work items) of 60 items in early October - this had fallen to 34 in mid-November 2022, and has fallen further to 17 by February 2023. The Board is invited to comment on this performance.

3. Work on the implementation of scheme member self-service is progressing well, and the roll out to active and deferred members will commence shortly. Once this is operational, i-Connect (an employer self service module) will be implemented. I-Connect will streamline the monthly uploading of member contribution data from each employer, replacing the current approach which uses spreadsheets. Once these technology improvements are fully operational, they will reduce the team's workload in some areas leading to further improvements in performance.
4. Table 1 below sets out the membership of the Pension Fund in the current year at 31 December 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.

Table 1

	Pension Scheme members				
	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 Dec 2022
Pensioners	5,795	6,004	6,196	6,460	6,664
Deferred	6,966	7,037	7,033	6,957	6,858
Active Members	5,400	5,410	5,309	5,586	5,633
% Active Members	29.7%	29.3%	28.6%	29.3%	29.4%
Total	18,161	18,451	18,538	19,003	19,155

5. The three yearly "re-enrolment" exercise for members who had previously opted out of the LGPS is required was completed on 31 July 2022.

Requirement to Report Breaches of Law

6. 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.
7. Other than the items disclosed at the last meeting (Annual Benefits Statements issued late in respect of the Avanti Schools Trust because

of delays by the Trust in providing year end data – now resolved, and the data breach in respect of a small number of payslips in April 2022), there have been no known breaches of law in the current financial year.

Internal Disputes Cases and Complaints

8. Since the previous report, no further cases have been dealt with under the Internal Dispute Resolution Procedure.
9. As reported to previous meetings of the Board, three complaints had been referred to the Pensions Ombudsman. In all three cases, Harrow had 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.
10. The Ombudsman has recently reported on one of the cases from October 2021, and the authority is implementing the actions recommended by the Pensions Ombudsman.
11. Following the Committee's last meeting, officers contacted the Pensions Ombudsman expressing concern about the delays. In a response dated 7 November 2022, it was indicated that the case from January 2021 is likely to be passed to an adjudicator in 3-4 months, and the remaining case from October 2021 is likely to be passed to an adjudicator in 6-7 months. This is clearly unsatisfactory for the complainants and indicates that the Pensions Ombudsman's office continues to be dealing with a large number of complaints, (most of which are not related to the LGPS).

Payment of Employer Contributions

12. 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

13. In February 2023, a small consultation on changing the dates for "indexation" of CARE benefits was published – the intention of this is to simplify the position for active and deferred members because of the impact of uprating on the annual allowance and tax positions which would be unusually high this year and occur because the tax year and indexation dates currently are not aligned. Initial impressions, confirmed by analysis by Hymans Robertson, indicate that the proposals would have the intended impact. A link to the Consultation is below.
[Annual revaluation date change in the Local Government Pension Scheme \(LGPS\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/annual-revaluation-date-change-in-the-local-government-pension-scheme)
14. A Government consultation on the McCloud remedy for public sector pension schemes was published in December 2022. This closed on 10 February 2023, the response by the Government is awaited and Regulations are expected to be laid in "Spring 2023". There will need to

be specific LGPS Regulations for the implementation of the remedy, covering this. A link to the Consultation is below.

<https://www.gov.uk/government/consultations/draft-regulations-for-the-mccloud-remedy/consultation-on-draft-regulations-for-the-mccloud-remedy#executive-summary>

15. On 30 January 2023 the Government published a Consultation on proposed changes to arrangements for cost sharing (between scheme members and employers). The Consultation closes on the 24 March 2023. The cost management process is overseen by the Scheme Advisory Board. The changes being considered are intended to align the mechanisms with those for other public sector schemes. A link to the consultation is below.

<https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process>

16. Previously we had expected a major consultation for the LGPS – covering a range of topics including investment pooling, investment in “levelling up” and infrastructure, the good governance review as well as the McCloud remedy and cost sharing. Apart from the specific items above, the major consultation is still awaited. It is understood that one factor in the delays is the lack of capacity in DLUHC – their LGPS team is small. A report will be brought to the Board when the consultation is published.

Other Matters

Scheme Advisory Board (SAB)

17. The SAB’s most recent meeting was on 5 December 2022. Items considered included

- Cost management of the scheme (a Consultation was issued on 30 January 2023)
- McCloud and Exit Pay
- Update on the Good governance review
- Compliance and Reporting - including setting in train work to update guidance on
 - Pension Fund Annual reports and accounts
 - Funding strategy Statements
 - Knowledge and Skills Framework
 - Separating Pension Fund and Administering Authority audits.
- Investment Cost Transparency

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

Legal Implications

19. There are no direct legal implications arising from this report.
20. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
21. 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.
22. 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.
23. 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
24. 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.
25. 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.
26. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

27. 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

28. 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.

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

Equalities implications / Public Sector Equality Duty

30. Was an Equality Impact Assessment carried out? No

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

Council Priorities

32. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/02/2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 14/02/2023

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 21/02/2023

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 01/10/2022 – 31/12/2022

SERVICE	National Benchmarking Target	Harrow Achievement %	Cases within Target	Total Cases
Issue letter notifying of dependent's benefit	5 days	75	12	16
Calculation and notification of ill health estimate	10 days	100	1	1
Calculation and notification of retirement benefits estimate	10 days	92.11	35	38
Issue letter to new pension provider detailing transfer-out quote	10 days	95.83	23	24
Calculation and notification of deferred benefits	10 days	89.80	44	49
Calculation and notification of retirement benefits	5 days	93.18	41	44
Process refund and issue payment	5 days	69.23	9	13
Calculation and notification of ill health benefits	5 days	100	1	1
Issue statutory notification on receipt of transfer funds	10 days	40	6	15

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Report for: Pension Board

Date of Meeting:	2 March 2023
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 Investment Valuation at 31 December 2022

Section 1 – Summary and Recommendations

This report summarises the matters to be considered by the Pension Fund Committee at its forthcoming meeting on 29 March 2023 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 last met on 23 November 2022. The Board reviewed the items which the Committee considered at its meeting on 1 December 2022.
2. The Committee's next meeting is on 29 March 2023. The items to be considered are summarised in the table below. Several of the items are the subject of separate reports to be considered elsewhere on this agenda.

3. Before the meeting there will be a training session, led by the Fund's Investment Consultants, Aon, covering strategic asset allocation. This will be used to remind Committee members of the key issues on this subject ahead of the review of the Fund's investment strategy. As is customary, Board members will be invited to attend this training should they be able to do so.
4. The current draft list of items for the Committee's meeting on 29 March 2023 is as follows:

Report	Comments
Part I	
Performance Dashboard and Update on Regular items	The Committee will review the position of the Fund at the end of Q4 2022 (31 December 2022), receive an update on things which have happened in the current quarter and be asked to agree a draft work programme for the Committee for the 2023-24 municipal year.
2022 Triennial Valuation	The Committee will receive the Actuary's final Report, including the Rates and Adjustments certificate, and be asked to approve the Funding Strategy Statement. This item is to be considered elsewhere on this agenda, and the Fund's actuary will attend and present to this meeting.
Responsible Investment (RI) Policy	The Committee will be asked to approve a RI Policy, together with consequential amendments to the Investment Strategy Statement. This item is to be considered elsewhere on this agenda, providing an opportunity for the Board to comment on the draft Policy.
Part II	
Performance Dashboard and Update on Regular items	The Committee will consider comments / reports from the Investment Consultant and an Independent Advisor on investment managers' performance. These reports will be considered in part II because of the sensitive nature of investment decisions.
Review of Property Investments (LaSalle Fund of Funds)	The Committee will receive an update report on progress since the last meeting.

	The report will be considered in part II because of the sensitive nature of investment decisions.
Review of Investment Strategy	Following the Triennial Valuation, it is best practice to consider whether the Fund's Investment strategy and asset allocation remain appropriate. This report will be the start of that process and will be considered in part II because of the sensitive nature of investment decisions.
Contract for Actuarial Services – procurement arrangements.	The current contract with Hymans Robertson expires in September 2023. This will start the process to put a new contract in place.
Contract for Investment Consultancy services	The current contract with Aon expires in January 2024. This will start the process to put a new contract in place.

5. The Pension Fund's investments were valued at £927.5m at 31 December 2022. The details of the valuation are shown at appendix 1.
6. With the exception of property, which fell in value, the value of most of the Fund's investments was broadly stable or increased slightly during the quarter, after the instability which occurred at the end of September 2022. The Fund carried out some rebalancing to reduce the overweight positions in its equity portfolio, investing the proceeds in fixed income - corporate bonds and passive index linked Gilts. There were also further drawdowns of the Fund's commitments to the LCIV Infrastructure Fund and the LCIV renewables Infrastructure Fund.
7. The Fund's past service liabilities at 31 December 2022 totalled £825m meaning the Fund was approximately 112% funded. This estimate of liabilities is simply a rolled forward projection based on the 2022 triennial valuation. The estimated funding level has improved since the 2022 valuation. This is driven by the fact that the expected return (discount rate) has increased materially since the valuation largely driven by increasing interest rate expectations. This has reduced the liabilities substantially. The assets have held up well over what was a period of turbulence in financial markets and have not dropped to the same extent as the liabilities – hence the increased funding level. This update is at a single point in time and follows a period of volatility in markets. Further market movements will lead to further fluctuations in funding level.
8. It should be noted also that the 112% funding level relates only to "past service" benefits (i.e. service accrued to date). As a scheme which is "open" (i.e. both to future accrual of benefits for existing members and to new joiners), the Fund will also have to meet significant liabilities in respect of future service, which will in turn depend on pay levels and other factors.

9. At 31 December 2022, the value of the Fund's investments was £927.5m. At that date, 77.8% of the Fund's investments were pooled or in passive investments which are regarded as being pooled.

Audit of Pension Fund Annual Report and Accounts 2021-22

10. The audit of the Pension Fund Annual Report and Accounts is being carried out by Mazars. This audit is largely complete – there have been no material changes to the draft accounts presented to the Board in October 2022, and only a small number of presentational and disclosure changes to some of the Notes to the accounts. However, the audit cannot be completed until the audit of the Council's own accounts is finalised – the reason for this is that until that happens the auditor is required to confirm that the Pension Fund Annual Report and Accounts align with the Council's main accounts, and there are some technical issues being worked through in respect of the latter. Other LGPS funds and administering authorities are experiencing similar issues. The auditors will be reporting to the next meeting of the Governance, Audit, Risk Management and Standards Committee in April 2023.

Legal Implications

11. There are no direct legal implications arising from this report.
12. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
13. 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.
14. 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.
15. 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

16. 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.
17. 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.
18. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

19. 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

20. 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.
21. 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

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

Council Priorities

24. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer

Date: 21/02/2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 14/02/2023

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 21/02/2023

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

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	Value 31.08.2022 £'000	Value 30.09.2022 £'000	Value 31.10.2022 £'000	Value 30.11.2022 £'000	Value 31.12.2022 £'000	Allocation 31.12.2022 %	Strategic Allocation %	Strategic Range %
Global Equities													
LCIV - Global Equity Focus Fund	127,495	124,788	125,859	121,282	130,520	129,994	117,181	121,923	110,130	105,742	11	10	
LCIV - Blackrock Passive	269,113	260,570	255,224	241,501	257,001	261,414	242,976	243,311	231,630	226,691	24	24	
LCIV - Sustainable Equity Fund	73,314	68,921	68,967	66,897	71,786	71,767	67,920	68,672	71,638	67,564	7	8	
LCIV - Emerging Market Equity Fund	0	2,073	33,476	62,393	71,203	74,269	69,923	65,131	72,475	71,497	8	8	
GMO	71,839	69,436	37,436	6,856	0	0	0	0	0	0	0	0	
Record passive currency hedge	-4,041	-9,303	-8,929	-15,936	-7,141	-15,857	-23,461	3,150	8,086	8,649	1		
Total Global Equities	537,719	516,484	512,033	482,993	523,370	521,587	474,540	502,187	493,960	480,143	51	50	45-55
											Inc Hedging		
Diversifying Return Assets													
Diversified Growth Fund - Insight	93,776	92,072	86,519	83,304	81,404	78,084	65,927	66,056	67,082	66,407	7	5.5	
Property - LaSalle	71,330	71,619	71,935	73,515	73,380	72,986	70,087	68,417	66,851	60,780	7	6	
Renewables - LCIV Renewables Fund	13,833	11,210	12,111	12,111	12,253	13,014	17,984	17,984	17,984	19,237	2	5	
Infrastructure - LCIV Infrastructure	31,347	31,347	31,347	34,846	34,846	41,472	43,304	47,560	48,055	50,091	5	7.5	
Private Equity - Pantheon	5,371	5,371	5,371	5,218	5,218	5,218	4,877	4,877	4,877	4,695	1	1	
Total Diversifying Return Assets	215,658	211,619	207,284	208,995	207,101	210,775	202,178	204,894	204,848	201,210	22	25	20-30
Risk Control Assets													
Bonds - Blackrock - FI Corp	42,083	39,930	38,869	35,997	37,659	34,279	29,817	31,517	46,610	44,246	5	5	
Bonds - Blackrock - IL passive LCIV	46,463	43,079	39,265	37,178	39,413	36,064	33,243	31,405	44,724	41,959	5	5	
Alternatives - LCIV Alt Credit Fund	103,777	102,592	100,124	95,414	96,924	97,823	93,952	94,199	96,243	96,500	10	10	
Bonds - LCIV Global Bond Fund	46,816	44,695	44,739	43,243	44,409	43,358	41,325	40,653	42,679	42,316	5	5	
Total Risk Control Assets	239,138	230,296	222,996	211,832	218,406	211,524	198,338	197,774	230,257	225,021	25	25	20-30
Cash & NCA													
Cash Managers (Blackrock)	10,736	10,740	10,746	7,755	7,765	7,773	7,784	5,796	10,807	10,822			
Cash NatWest	7,288	9,319	12,214	9,914	10,095	5,252	13,091	9,098	8,760	7,464			
Cash Custodian (JP Morgan)	5,977	3,382	3,381	3,380	280	280	279	49	49	48			
Blackrock Dividends (Pending Reinvestment)	291	291	578	578	579	865	868	868	868	1,317			
Debtors and Creditors	1,054	1,368	-1,414	3,261	1,058	1,401	1,529	1,285	1,187	1,355			
CIV Investment	150	150	150	150	150	150	150	150	150	150			
Total Net Current Assets	25,496	25,251	25,656	25,039	19,928	15,721	23,701	17,246	21,820	21,156	2	0	
Total Assets	1,018,011	983,650	967,969	928,858	968,805	959,607	898,757	922,102	950,884	927,530	100	100	
Assets Pooled													
- LCIV Funds	39.0%	39.2%	43.0%	47.0%	47.7%	49.2%	50.2%	49.5%	48.3%	48.8%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	31.0%	30.9%	30.4%	30.0%	30.6%	31.0%	30.7%	29.8%	29.1%	29.0%		29.0%	
Total % Pooled	70.0%	70.1%	73.5%	77.0%	78.3%	80.2%	81.0%	79.3%	77.4%	77.8%		82.5%	

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Report for: Pension Board

Date of Meeting:	2 March 2023
Subject:	2022 Triennial Valuation
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Slide Presentation by Fund Actuary Appendix 2 - Funding Strategy Statement (to follow)

Section 1 – Summary and Recommendations

This report summarises latest position in respect of the 2022 triennial valuation. It also includes the Funding Strategy Statement and associated policies which will be submitted for approval to the Pension fund Committee on 29 March 2023.

Recommendations:

The Board is requested to note the report, to ask questions of the Actuary as necessary, and make any comments it wishes to be passed to the Pension Fund Committee in regard to the Funding strategy Statement and associated policies.

Section 2 – Report

1. The LGPS Regulations require each LGPS Fund to carry out a triennial valuation of its assets and liabilities. The valuation process, which reports the Fund's position as at 31 March 2022 is nearing completion. The valuation is being carried out by the Fund's Actuary, Steven Law, of Hymans Robertson LLP. Steven will attend the meeting, at which he will give a

presentation and answer any questions that Board members may have about the process and results. Steven's slides are enclosed as **appendix 1**.

2. At the end of the process, the actuary will produce a report setting out details of the Fund's assets and liabilities at the valuation date, and the probability of the scheme being fully funded in the future. The actuary will also issue a Rates and Adjustments Certificate, which will set out details of the required employer contributions for each of the Fund's employers for the three years 1 April 2023 to 31 March 2026. The report will also include an appendix prepared by the Government Actuary's Department (GAD) which addresses the "section 13" process through which GAD considers the valuation results and approved employer contribution rates for all LGPS Funds. The Actuary's final report will be submitted to the Pension Fund Committee in March 2023.
3. The Pension Fund Committee has to date received briefings and reports about the Valuation process as follows
 - before the meeting on 24 November 2021, a training session setting out the process and timetable for the valuation.
 - 9 March 2022 a report and presentation covering the key assumptions to be used in the Valuation
 - 13 October 2022 a report and presentation detailing the initial "whole fund" results and a proposed contribution strategy for the Council (the main employer, accounting for over 80% of scheme members) – see paragraph 4 below
 - On 23 November it received a further report and presentation and approved the draft Funding Strategy Statement for Consultation.

Initial Valuation Results

4. These were reported to the Pension Fund Committee on 12th October 2022 and to the Board on 1 December 2022. They indicate that the funding position has improved, to 96% at 31 March 2022, and that the overall position indicated that a reduction in employer contribution rates is sustainable without jeopardising the long term objective of being fully funded in 20 years' time.
5. To meet the requirements placed upon actuaries, the proposed contribution strategies were "stress tested" against a number of scenarios to ascertain whether these were robust.
6. Detailed results for all employers (including proposed contribution rates for the period 1 April 2023 to 31 March 2026 have now been shared with all employers, and these will be implemented from April. Many employers have seen a small reduction in contribution rates payable from April.

Funding Strategy Statement

7. A key requirement once the results are known is the approval of a Funding Strategy Statement (FSS) – this document sets out how the Fund proposes to ensure that, over the life of the Fund it will be able to meet its present and future liabilities in full. The draft FSS (which included as appendices some key policies which had previously been in the body of the FSS) was considered by the Board on 1 December 2022. The consultation process has

been completed, and no significant comments were received. The final draft version will be submitted to the Pension Fund Committee for approval on 29 March 2023. The latest Draft Funding Strategy Statement is attached – **appendix 2.**

Next Steps

8. From 1 April 2023 the Fund's cash flow position will "worsen" in that pensions payable are expected to increase by 10.1% (the Regulations confirming this are awaited at the time of publishing this agenda), while employer contributions are reducing in aggregate as indicated in paragraph 6 above. Therefore, at LBH's request, the actuary has produced a long term cash flow forecast. This has been shared with the Fund's Investment Consultants, Aon, and will be used to inform the Investment Strategy Review which is now beginning. The Committee will consider the next steps for that review at its meeting on 29 March 2023.

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.

Council Priorities

22. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 21/02/2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 16/02/2023

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 21/02/2023

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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Harrow Pension Fund

35
Overview of 2022 formal valuation



What is a valuation?



How the Fund works

37



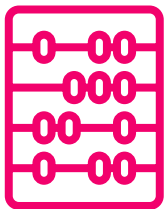
Collect money
(contributions)



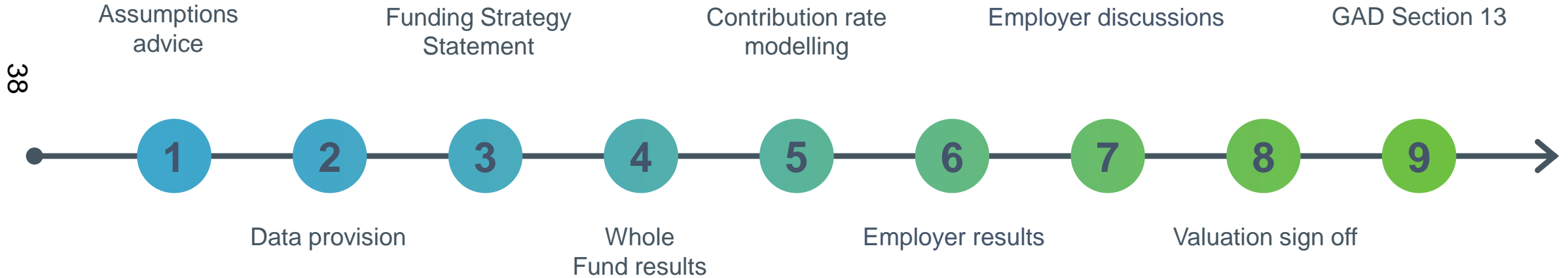
Invest money
(its assets)



Pay money out
(benefits)



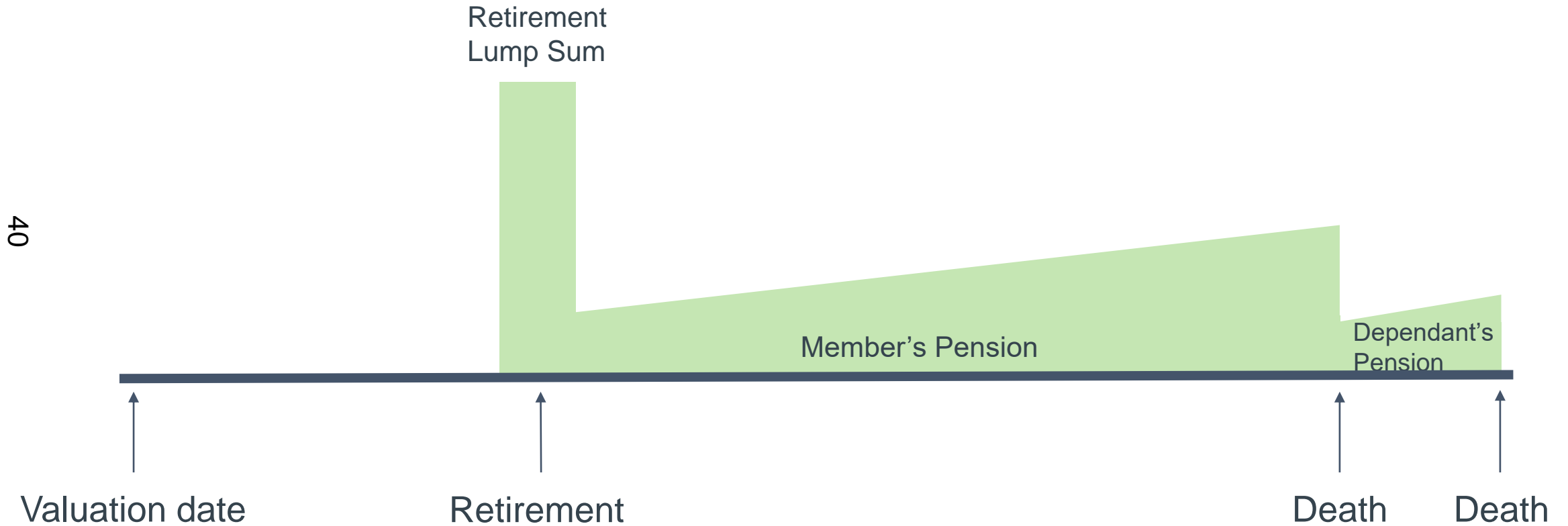
The valuation process



Assumptions



Why do we need assumptions?



Financial assumptions

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.4% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 70% likelihood of returning above the discount rate.	4.3% pa
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.7% pa	To determine the size of future final-salary linked benefit payments.	3.0% pa

No material change in how assumptions were derived vs 2019

Demographic assumptions



Longevity	31 March 2022	31 March 2019
Male pensioner	22.2 years	22.0 years
Male non-pensioner	23.1 years	23.1 years
Female pensioner	24.8 years	24.3 years
Female non-pensioner	26.4 years	26.3 years

Pensioners are assumed to be aged 65 at the respective valuation date and non-pensioners are assumed to be aged 45.

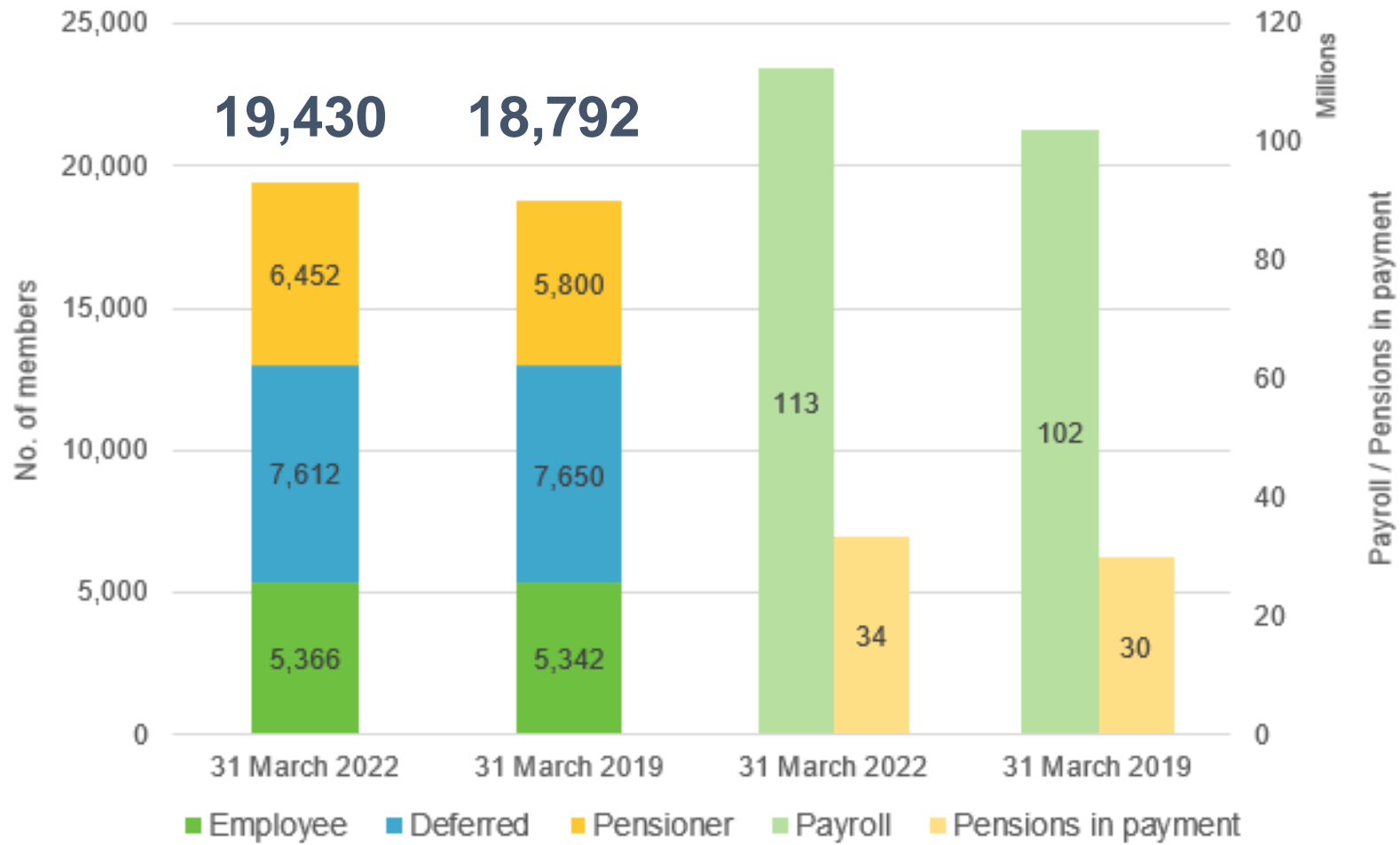
Other demographics:

- Commutation
- 50:50 Scheme
- Withdrawal
- Death in Service
- Survivors
- Death in Deferment
-

Data



Membership



44

Other data

- Fund accounts
- Employer level cashflows
- Investment strategy (current, strategic and planned changes)
- Membership experience
- Market data
- National membership data Mortality 'curves'

45

Funding Strategy Statement

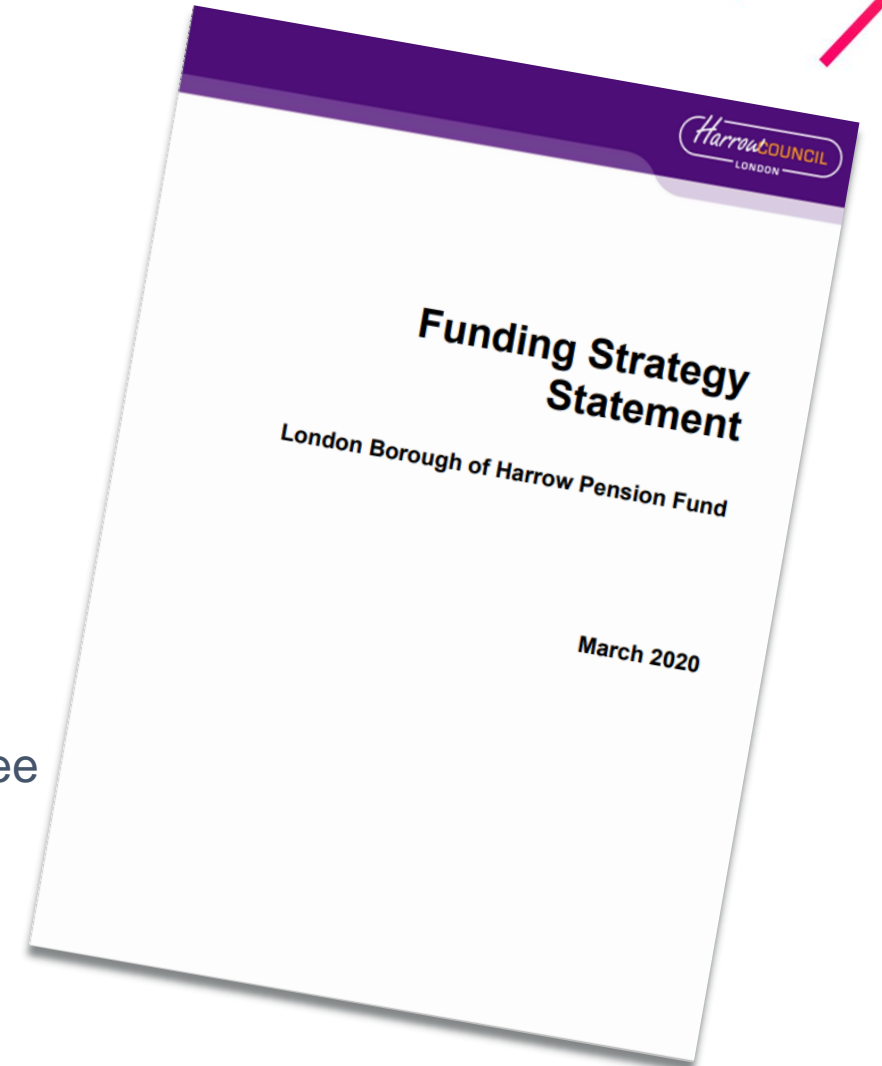
What is it?

Setting out the Fund's approach to:

- Risk management
- Setting employer contributions
- Important funding policies

Governance process includes:

- Regulatory requirement to maintain FSS
- Reviewed and updated triennially (or more frequently)
- Consulted on with employers followed by approval from Committee



Key updates

Before

After

Layout

42 pages

24 pages + satellite policies

McCloud

Extra prudence in rates

Explicit allowance in liabilities

Contractors

80% likelihood of full funding

50-80% to manage exit credit risk

Pass-through

Optional

Default

48

New policies

Exit credits

- Ceasing employer in surplus
- Admin Authority determines exit credit to be paid
- FSS sets out process

Deferred Debt Agreements

- Ceasing employer in deficit
- Employer remains in fund and continues to pay contributions
- FSS sets out when this may be considered

Deferred Spreading Arrangements

- Ceasing employer in deficit
- Effectively a payment plan
- FSS sets out when this may be considered

Contribution Rate Reviews

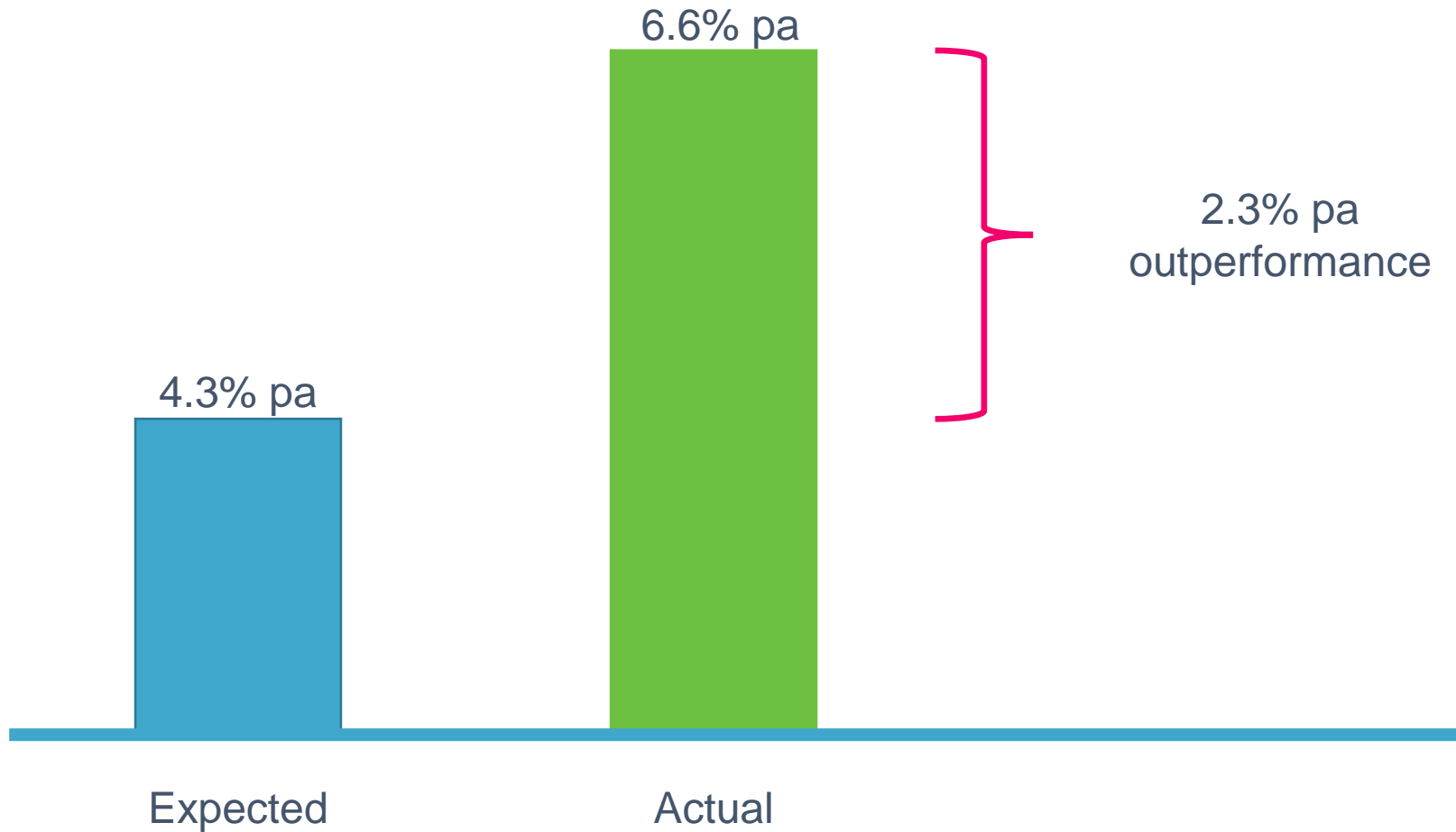
- Rates can be reviewed between valuations
- Fund or employer can request a review
- FSS sets out process and circumstances

Results - solvency



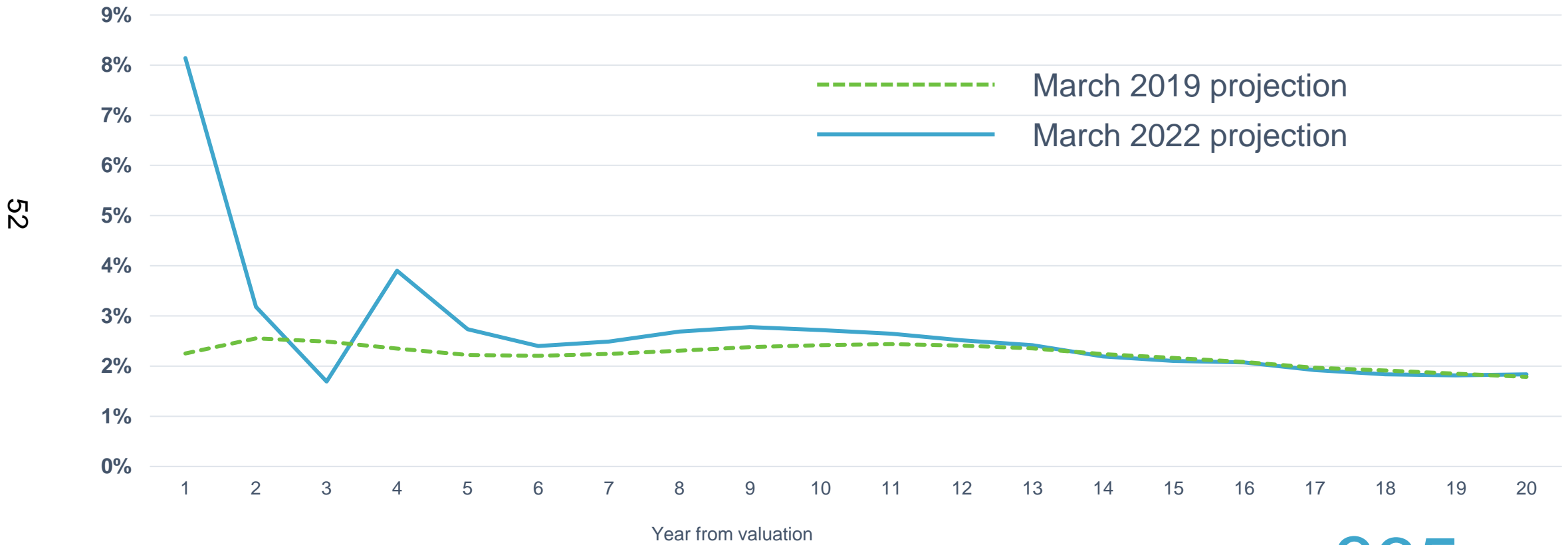
Investment returns

51



+£66m

Consumer's Price Inflation



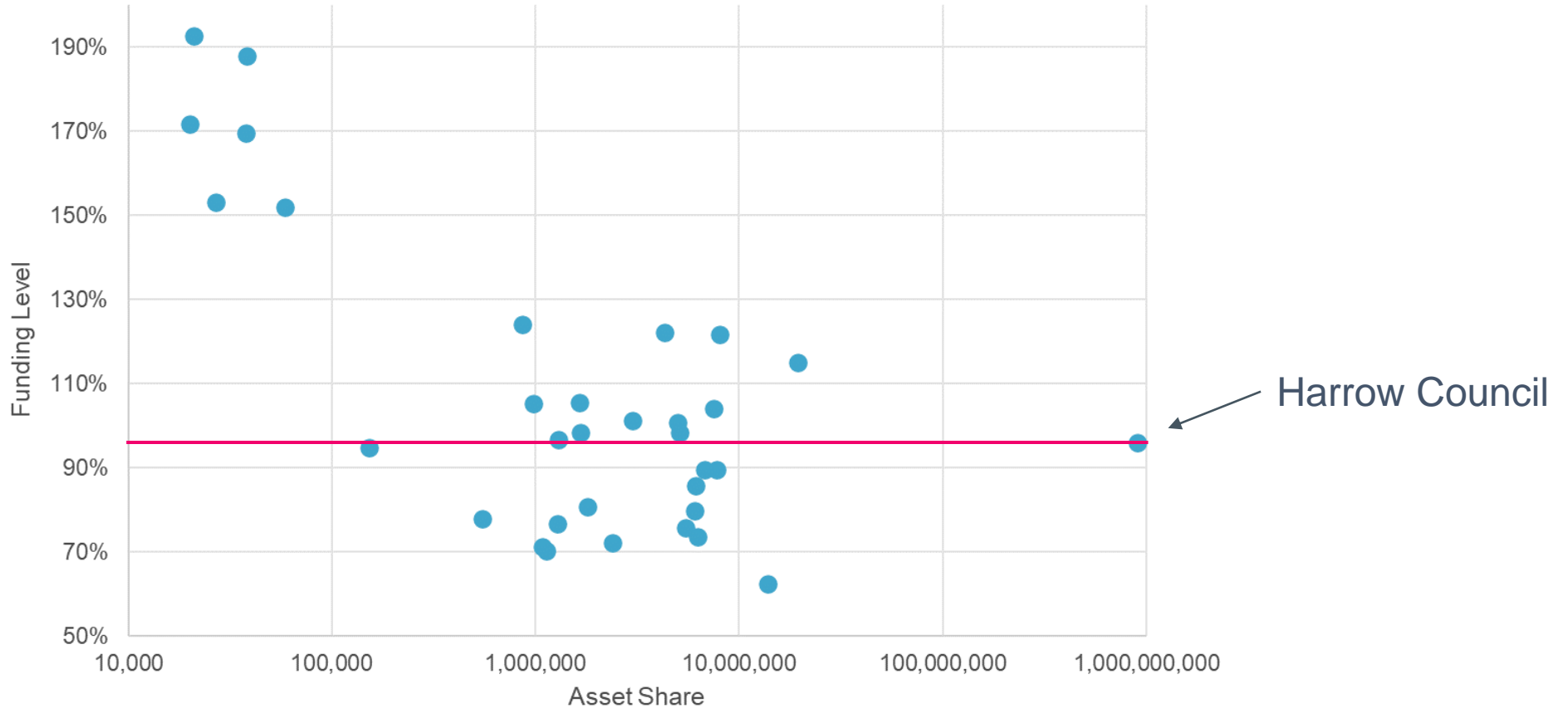
52

-£65m

Single reported 2022 funding position

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	344	278
Deferred Pensioners	207	178
Pensioners	506	447
Total Liabilities	1,057	903
Assets	1,018	851
Surplus/(Deficit)	(39)	(52)
Funding Level	96%	94%

Employer funding levels



Funding is carried out at individual employer level

Results - contributions



How do we set employer rates?

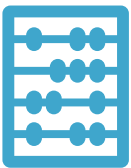


Level of assets we ideally want each employer to have to meet it's liabilities

56



Amount of time we give employer to reach their target level of assets



The minimum likelihood of achieving the target over the given time horizon

LB Harrow

Scheduled bodies

'community'
admission bodies

Contractors



4.4% p.a.
returns

1.75% p.a.
returns

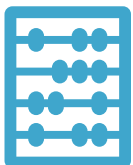
3.4% p.a.
returns



20 years
Maximum

15 years
Maximum

Same as letting
authority



70%
Minimum

70%
Minimum

50-80%

Setting employer rates



58

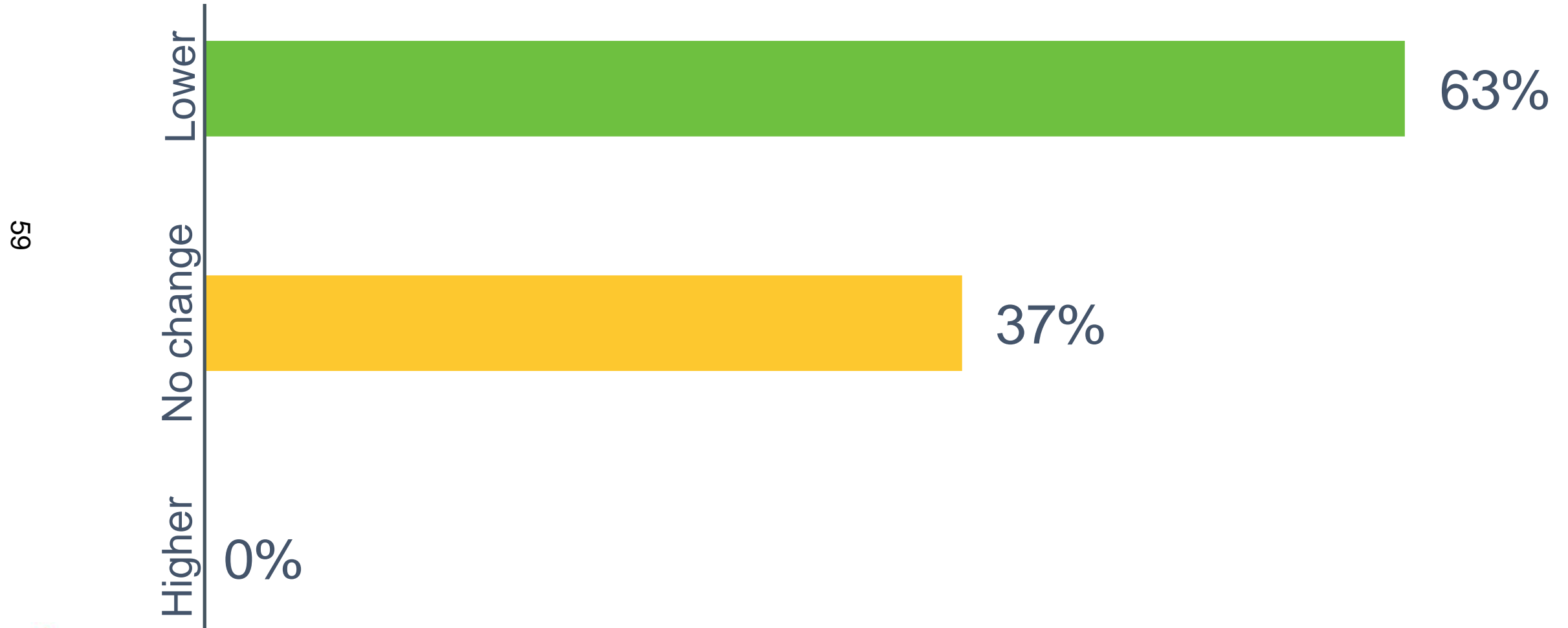
Sustainability

Stability



24

Contribution rate changes from 1 April



Next Steps



Next steps

- Final sign-off (by 31 March)
- Monitor major risks from valuation
 - Benefit increases
 - Benefit changes
 - Cashflow
- Investment review (ISS)
- GAD Section 13 Valuation

Thank you

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The material and charts included herewith are provided as background information for illustration purposes only. This PowerPoint presentation is not a definitive analysis of the subjects covered and should not be regarded as a substitute for specific advice in relation to the matters addressed. It is not advice and should not be relied upon. This PowerPoint presentation contains confidential information belonging to Hymans Robertson LLP (HR) and should not be released or otherwise disclosed to any third party without prior consent from HR. HR accept no liability for errors or omissions or reliance upon any statement or opinion herein.
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Report for: Pension Board

Date of Meeting:	2 March 2023
Subject:	Draft Responsible Investment Policy
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Draft Responsible Investment Policy Appendix 2 – Investment Strategy Statement

Section 1 – Summary and Recommendations

The Pension Fund Committee will be asked to approve the draft Responsible Investment Policy, together with consequential changes to the Investment Strategy Statement, at its forthcoming meeting on 29 March 2023. This report provides the Board with an opportunity to comment on the draft Policy.

Recommendations:

The Board is requested to consider the draft Policy and to make such comments as it considers necessary for consideration by the Pension Fund Committee at its forthcoming meeting.

Section 2 – Report

1. The LGPS (Investment and Management of Funds) Regulations 2016 set the framework within which LGPS pension funds are required to manage their investments. They are required to have an Investment Strategy Statement (ISS) – which sets out how the Fund will manage and invest its assets to enable it to meet its Funding Strategy.

2. The Regulations include a requirement for funds to have a policy setting out how environmental, social and governance (ESG) considerations are considered in the selection, non-selection, retention and realisation of investments. For LBH, the Investment Strategy Statement contains that information.
3. With growing concern about climate change, a greater awareness of social issues such as working conditions and governance issues including equality, diversity and executive remuneration, it is now considered best practice for LGPS Funds to have a standalone Responsible Investment (RI) Policy. The likely introduction of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) – reported to the Board in October 2022 highlights this further.
4. The Pension Fund Committee initially discussed this issue at an informal briefing in July 2022 and agreed that the morning of the “Training and Meet the Manager” day in October would be devoted to RI training. Accordingly, a workshop training session was led by Jennifer O’Neill – an RI specialist from the Fund’s Investment Consultant (Aon).
5. Following that meeting, the Committee members completed a survey to determine their “Investment Beliefs” and this was used to develop a draft RI Policy, which was considered by the Committee in November 2022.
6. Following that meeting, further work has been undertaken, and a draft policy is now attached – **appendix 1**. The Board is asked to consider and comment on the draft, and any comments will be reported to the Committee when it is asked to approve the Policy at its meeting on 29 March 2023.
7. The Policy sets out the Committee’s Investment beliefs, and how these will be translated / implemented via the Investment Strategy.
8. As a consequence of the Policy, some changes are required to update the Fund’s Investment strategy Statement – the updated version is attached as **appendix 2**. The changes are highlighted in red. The Board is again asked to consider and comment on the draft, and any comments will be reported to the Committee when it is asked to approve the Policy at its meeting on 29 March 2023.

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. 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

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 by the Board at this meeting.

19. 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

20. Was an Equality Impact Assessment carried out? No

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

Council Priorities

22. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 17/02/2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 16/02/2023

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 17/02/2023

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone: 020 8736 6552

Background Papers: None

London Borough of Harrow Pension Fund

Draft Responsible Investment Policy

**For consideration by Pension Fund Committee
29 March 2023**

Purpose

The purpose of this policy is to set out our Responsible Investment beliefs and principles, and to detail the approach we are taking to fulfil our commitments.

The effective date of this policy is 30 March 2023

Introduction

The London Borough of Harrow (“the Council”), in its capacity as Administering Authority, is responsible for administering the London Borough of Harrow Pension Fund (the “Fund”).

The Council has delegated to the Pension Fund Committee (the "Committee") all the powers and duties of the Council in relation to its functions and authority. We are therefore responsible for making all investment decisions regarding the Fund.

As the Committee, we recognise that it is our fiduciary duty is to act in the best financial interest of members of the Fund and to ensure that the objectives of the Fund are met. We therefore aim to seek the best investment return to meet the funding objective subject to an appropriate level of risk and liquidity.

In defining Responsible Investment (‘RI’), we have looked to the Principles for Responsible Investment (PRI)’s definition as the integration and consideration of environmental, social and governance (‘ESG’) issues into both initial asset investment processes and then ongoing asset ownership practices.

We recognise that, as a long-term investor, we (and, by extension, our appointed fund managers and our advisor) should incorporate ESG risks into our investment decision making process, as the long-term value of investments may be negatively impacted if these risks are not understood or evaluated properly. Likewise, emerging opportunities may be missed if ESG factors are not roundly considered.

In developing the Fund's approach to RI, we seek to understand and manage the ESG considerations to which the Fund is exposed, to the extent that these may impact on the Fund’s asset portfolio or overall strategy.

This policy sets out our beliefs and approach to RI, including actions taken on behalf of members and other stakeholders which aim to capitalise on ESG opportunities and to protect the Fund from ESG-related risks.

Our beliefs and principles

The Committee has discussed and agreed consensus beliefs and principles relating to RI. These beliefs and principles form the basis of our policy and are set out below.

- Environmental, social and governance (ESG) factors are **financially material and an important component of the Committee’s decision making**. Taking these issues into account is **consistent with and necessary to meet the Committee's fiduciary duty** to members of the Fund.
- The Fund is a **long-term investor**, and the Committee will invest in a manner that is consistent with that long-term outlook. Investing in this manner is expected to generate greater and more sustainable risk-adjusted returns. Accordingly, the Committee expect the Fund's appointed fund managers to make decisions with longer term ESG risks in mind.

- Taking ESG considerations into account may lead to **better risk-adjusted returns**, and it is therefore important that our appointed managers incorporate these matters into their decision making on asset selection, realisation, and retention.
- Risk and return considerations are key to ensuring the Fund's fiduciary duty to members is fulfilled, although there are wider issues which may influence the Committee's decision making on investments. These include the approach to asset stewardship and engagement taken by prospective or current investment managers appointed by the Fund, and **wider social and environmental impact of investments**. In particular, awareness of negative environmental or social impacts arising from the Fund's investments is important in considering how to mitigate those impacts.
- **Climate change is a key risk factor** to the Fund which may impact on the achievement of its investment return objectives over the relevant time horizon. Therefore, climate-related matters should be assessed and understood to protect the Fund from this risk, and to capture opportunities arising as a result of the transition over time to a low-carbon economy. The Committee also believe that social issues (including working conditions) and broader consideration of nature-related outcomes (including pollution and deforestation), both of which are impacted by climate change, are relevant to decision-making.
- The Committee will seek advice and information from its advisor with regard to how the Fund's **approach to climate risk mitigation** and management can develop over time, including with respect to setting relevant targets (such as 'net zero' carbon dioxide emissions by 2040) and ongoing monitoring of the Fund's position.
- Acting as responsible stewards of capital is important, and the Committee believes in the **value of engagement**. To that end, the Committee expects that the Fund's relevant **voting rights** will be exercised to the fullest extent possible, and that the Fund's managers will **actively engage** with underlying assets to encourage continued development of sustainable business practices, transparency, and thus inform their decision making on investment selection, realisation, and retention.
- The Committee recognise that **the Fund's members may have an interest** in how RI is incorporated as part of the Fund's investment strategy. Accordingly, the Committee will **incorporate the RI policy and approach into member communication and engagement**.

Our RI approach

We take the important steps and follow the procedures below to ensure our investment strategy is aligned with our beliefs and principles regarding RI.

Committee decision making

We aim to integrate consideration of ESG issues throughout all aspects of our investment decision making process, including modelling and setting investment strategy and monitoring the Fund's investment managers. We are supported in these aims through regular and ongoing input from, and engagement with, our investment advisors.

We do not apply personal, ethical or moral judgments when making investment decisions, and instead remain focused on the primary objective of acting in the best financial interests of the Fund's members. With the support of our advisors, we consider the availability, suitability and depth of conviction in an idea or strategy before investing and will take into account the expected cost versus potential benefit from a scheme member's perspective in line with our fiduciary duty.

We undertake periodic training on RI to understand how ESG factors, including climate change, could impact the Fund's assets/liabilities and members' retirement outcomes.

ESG risk monitoring and assessment

Our processes to monitor and assess ESG-related risks and opportunities include the following:

- Our Investment Consultants monitor the Fund's underlying managers on an ongoing basis, including detailed due diligence to assign an 'ESG rating' to underlying managers which reflects the quality of their approach and commitment to ESG integration. We discuss and monitor ESG ratings of the Fund's investment managers on an ongoing basis.
- We recognise that developments will continue in this area. We ask our investment advisors to highlight appropriate opportunities to invest in responsible investment strategies and will give due consideration to any proposals.
- Immediately after each triennial valuation of the Fund we will undertake a formal review of the Fund's triennial investment strategy. Both during these reviews and in our ongoing investment monitoring activity, we will specifically consider RI issues, including the merits of strategies which seek to generate positive financial returns while also seeking to make a wider positive impact on society.
- We include ESG-related risks, including climate change, on the Fund's risk register as part of our ongoing risk assessment and monitoring.
- To support our risk and opportunity identification and management, as these become a requirement for LGPS funds we will make use of the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), which has established a set of clear, comparable and consistent recommended disclosures about the risks and opportunities presented by climate change.
- As part of formal investment strategy reviews, we will consider qualitative and quantitative climate change scenario analysis to review the potential risks and consider mitigating action as required.
- We expect our investment managers to understand our RI principles, beliefs and requirements. We provide our Policy to our Investment Consultant, advisors and appointed fund managers and ask them to confirm their adherence.
- In the event that any fund manager or service provider does not meet any of the expectations listed in this policy, the Officers will engage with the respective stakeholders to encourage improvements in processes, transparency or activity as required.

Expectations and monitoring of investment managers

- As part of our delegated responsibilities, we expect the Fund's investment managers to take account of financially material ESG considerations (including climate change) in the selection, retention and realisation of investments.
- Whilst we do not expect all our investment managers to explicitly take into account non-financial ESG considerations (eg exclusion of investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the UK Government), we do expect transparency on these matters in order to facilitate a full understanding of the Fund's investments.

- We, with the support from our Investment Consultant, carry out a periodic review of the ESG profile of the investments. The use of third-party data from MSCI, manager data from the PRI, and alongside commentary from the Consultant, can support the Committee in identifying areas of potential ESG risk and engagement points.
- We expect investment managers to align with the UK Stewardship Code Principles and PRI objectives. Where managers are not signatories to these codified principles, we will assess with our Investment Consultant how the manager is implicitly aligned as part of our monitoring.

Implementation

- Where applicable, we invest in assets that meet at least a minimum threshold ESG rating/requirement, and this threshold will be reviewed on a periodic basis to ensure that it meets our evolving requirements.
- We recognise that new investment approaches often come to market which aim to address both the risks and opportunities presented by global challenges. We will consider such new investment approaches (across all asset classes) that are raised by the Fund's investment advisor and will assess the suitability of such investments within the context of the wider Fund in discussion with its Investment Consultant.
- We expect the Fund's appointed fund managers to be transparent in their approach, including their approach to stewardship, how they integrate ESG into their investment decision making process and consideration of social and environmental impact matters.
- We expect the Fund's investment managers to provide their RI policy to us and our advisors periodically, including details of their approach to stewardship, how they integrate ESG into their investment decision making process and approach to non-financial factors. When we look to appoint a new investment manager, we will request and consider this information as part of the selection process. We will review responses with support and input from the Fund's Investment Consultant.

Training

The Committee will receive training on a regular basis from the Fund's Investment Consultant on relevant RI matters, including but not limited to evolving regulatory requirements.

Stewardship – voting and engagement

We recognise the importance of our role as a steward of capital. Whilst we recognise that we do not control (or wish to control) the investment decisions that our investment managers take on our behalf, we believe in using our influence, where possible, through those fund managers to promote the highest standards of governance and corporate responsibility in the underlying companies in which the Fund's investments reside. We recognise that ultimately this protects the financial interests of the Fund and its beneficiaries.

We therefore expect the Fund's investment managers to use their influence as major institutional investors to carry out our rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies.

We request details on an annual basis of how the Fund's investment manager is undertaking voting and engagement activity.

Voting information should include details of voting actions and rationale with relevance to the Fund, in particular, where:

- votes were cast against management;
- votes against management generally were significant and
- votes were abstained

Similarly, engagement activity disclosures should be of relevance to the Fund's investments and include information on the rationale and outcome of engagement activity.

We will review the stewardship activities on an annual basis with input from the Fund's Investment Consultant and will engage with managers as required.

Initiatives and industry collaboration

We recognise that collaboration with others and support of broader initiatives can be a powerful tool to influence behaviour.

We expect the Fund's investment managers to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging positive change at investee companies/issuers.

We expect our advisors to keep us informed of relevant global and industry initiatives and may consider participating in opportunities where there is appropriate alignment with our beliefs and principles. The Fund is already a participating member of the Local Authority Pension Fund Forum ("LAPFF"), which is active in furthering responsible investment issues across participating LGPS members.

Evolving our approach

We acknowledge that the Fund's approach to RI will need to continually evolve, due to both the changing landscape with respect to ESG issues and broader industry developments.

We are committed to making ongoing improvements to our approach and the processes that underpin the delivery of this policy and are focused on making sure that it remains relevant and appropriate for our members.

Disclosure and reporting

We believe transparency is important. In support of this belief, we will consider our approach to incorporating this policy and its direction in engaging with members. This policy supplements additional disclosures and information available as part of our Investment Strategy Statement (available at <https://www.harrowpensionfund.org/resources/investment-strategy-statement-march-2019/>).

Review

We will review this policy

- annually,
- as part of each formal investment strategy review (which follows the triennial valuation),
- or as required in response to changing regulations or broader governance developments.

**LONDON BOROUGH OF HARROW
PENSION FUND**

INVESTMENT STRATEGY STATEMENT

March 2023



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Executive Summary

The London Borough of Harrow Pension Fund Investment Strategy Statement has been prepared in accordance with the relevant Local Government Pension Scheme Regulations.

The objective of the Fund is to provide pension and lump sum benefits for its members and their dependants.

To assist in the achievement of this objective the Fund makes investments in accordance with:

- ❖ its investment beliefs;
- ❖ its asset allocation strategy reflecting its views on the suitability of particular investments and types of investments;
- ❖ its approach to risk, including its measurement and management;
- ❖ its approach to pooling;
- ❖ its policy on social, environmental and governance considerations; and
- ❖ its policy as regards the stewardship of its assets including the exercise of voting rights.

1. Introduction

- 1.1 This is the Investment Strategy Statement (ISS) of the London Borough of Harrow Pension Fund adopted by Harrow Council (the Council) in its capacity under Regulation 7 of the Local Government Pension Scheme as Administering Authority of the Local Government Pension Scheme. In this capacity the Council has responsibility to ensure the proper management of the Fund.
- 1.2 The Council has delegated to its Pension Fund Committee (“the Committee”) “all the powers and duties of the Council in relation to its functions as Administering Authority save for those matters delegated to other committees of the Council or to an officer.”
- 1.3 The ISS has been prepared by the Committee having taken appropriate advice. It meets the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).
- 1.4 The ISS, which was last approved by the Committee in September 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee will consult on the contents of the Strategy with each of its employers, the Pension Board and the trade union observers. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement.
- 1.5 The amendments to the investment policy reflect the results of the Investment Strategy Review and Asset Liability Modelling exercise that was undertaken in 2020.

2. Statutory background

- 2.1 Regulation 7(1) of the Regulations requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.
- 2.2 The ISS required by Regulation 7 must include:
 - a) A requirement to invest money in a wide variety of investments;
 - b) The authority’s assessment of the suitability of particular investments and types of investments;
 - c) The authority’s approach to risk, including the ways in which risks are to be measured and managed;
 - d) The authority’s approach to pooling investments, including the use of collective investment vehicles and shared services;

- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 2.3 The ISS must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

3. Directions by Secretary of State

- 3.1 Regulation 8 of the Regulations enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with guidance issued by the Department for Communities and Local Government.
- 3.2 The Secretary of State's power of intervention does not interfere with the duty of elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.
- 3.3 The power of Direction can be used in all or any of the following ways:
- a) To require an administering authority to make changes to its investment strategy in a given timescale;
 - b) To require an administering authority to invest assets as specified in the Direction;
 - c) To transfer the investment functions of an administering authority to the Secretary of State or a person nominated by the Secretary of State; and
 - d) To require an administering authority to comply with any instructions from either the Secretary of State or the appointed person in circumstances when the investment function has been transferred.
- 3.4 Before issuing any Direction, the Secretary of State must consult the administering authority concerned and before reaching a decision, must have regard to all relevant evidence including reports under section 13(4) of the Public Service Pensions Act 2013, reports from the Scheme Advisory Board or from the relevant local pension board and any representations made in response to the consultation with the relevant administering authority. The Secretary of State also has the power to commission any other evidence or additional information that is considered necessary.

4 Advisers

- 4.1 Regulation 7 of the Regulations requires the Council to take proper advice when making decisions in connection with the investment strategy of the Fund. In addition to the expertise of the members of the Pension Fund Committee and Council officers, such advice is taken from:
- Aon Solutions UK Ltd ("Aon") – investment consultants
 - The Fund's Independent advisers
 - The Director of Finance & Assurance
 - The Council's Legal Services
 - The Fund's investment managers
- 4.2 Actuarial advice, which can have implications for investment strategy, is provided by Hymans Robertson LLP

5 Objective of the Fund

- 5.1 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.
- 5.2 The assets of the Fund are invested with the primary objective being to achieve a return that is sufficient to meet the funding objective as set out above, 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.
- 5.3 Related objectives are to seek to minimise the level and volatility of employer contributions necessary to meet the cost of pension benefits.

6 Investment beliefs

- 6.1 The Fund's fundamental investment beliefs which inform its strategy and guide its decision making are:
- The Fund has a paramount duty to seek to obtain the best possible return on its investments taking into account a properly considered level of risk.
 - A well-governed and well-managed pension fund will be rewarded by good investment performance in the long term
 - Strategic asset allocation is the most significant factor in investment returns and risk; risk is only taken when the Fund believes a commensurate long term reward will be realised

- Asset allocation structure should be strongly influenced by the quantum and nature of the Fund's liabilities and the Funding Strategy Statement
- Since the lifetime of the liabilities is very long, the time horizon of the investment strategy should be similarly long term
- Equities are likely to outperform most other asset classes in the long term and, in view of its current assets / liabilities structure, the Fund's investments should maintain a significant allocation towards this asset class
- Performance advantage is likely to be realised from the successful selection of active asset managers
- Risk of underperformance by active equity managers is mitigated by allocating a significant portion of the Fund's assets to a passive equities manager and other asset classes
- The impact of currency mismatches is mitigated by implementing a currency hedging strategy
- Long-term financial performance of companies in which the Fund invests is likely to be enhanced if they follow good practice in their environmental, social and governance policies
- Costs need to be properly managed and transparent

7 The suitability of particular investments and types of investments

- 7.1 The Committee decides on the investment policies most suitable to meet the liabilities of the Fund and has ultimate responsibility for investment strategy.
- 7.2 The Committee has translated its investment objective into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.
- 7.3 The approach seeks to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members) and the liabilities arising therefrom, together with the level of disclosed surplus or deficit (relative to the funding bases used).
- 7.4 The Committee, as advised by Aon, considered the Fund's investment strategy in light of the 2019 Actuarial Valuation. In September 2020 the Committee agreed with Aon's recommendation that the Fund's high-level allocation be split into three 'buckets': Equities; Diversifying Return Assets; and Risk Control Assets. Subsequently the underlying allocations within each of these 'buckets' has been reviewed. The resultant strategic asset allocation benchmark for the Fund is detailed in the table below.

ASSET CLASS	MANAGEMENT APPROACH	Strategic	
		ALLOCATION	RANGE
		%	%
Equity Bucket		50.0	45.0 - 55.0
Global	Passive, Low Carbon	24.0	
Global	Active	10.0	
Global	Active, Sustainable	8.0	
Emerging Markets	Active	8.0	
Diversifying Returns Bucket		25.0	20.0 - 30.0
Property	Active	7.5	
Infrastructure	Active	7.5	£68m Committed
Diversified Growth	Active	5.0	£50m committed
Source of funds*		5.0	
Private Equity**	Active	0.0	
Risk Control Bucket		25.0	20.0 - 30.0
UK Corporate Bonds	Active	5.0	
Global Bonds	Active	5.0	
Index-Linked Bonds	Passive	5.0	
Multi-Asset Credit	Active	10.0	
TOTAL***		100.0	

*Source of funds allocation represents assets to be deployed after consideration of options available, including with the London CIV. Assets to be held in the Diversified Growth Fund until suitable opportunities identified. The Committee have identified a Renewable Infrastructure Fund as the first investment for this allocation.

** note that the Fund has a residual allocation to Private Equity, which is winding down.

*** the Fund may also hold an allocation to Cash. This is generally held for liquidity purposes, including waiting for drawdowns in respect of illiquid assets,

7.5 Under the existing strategy, the rationale for the three 'buckets' is:

- **Equities:** The main return driver in the Pension Fund's investment strategy;
- **Diversifying Return Assets:** Assets whose role is to generate returns (similar to the role of Equities), but which provide additional diversification.
- **Risk Control Assets:** Assets which target a lower level of return than Equities, but with a lower level of risk. These assets typically have some links to the characteristics of the Pension Funds' pensions in payment (e.g. inflation) and the growth in pensions to be paid in the future.

- 7.6 The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:
- Suitability and diversification given the Fund's level of funding and liability profile
 - The level of expected risk
 - Outlook for asset returns
- 7.7 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not deviate from within the target range. If such a deviation occurs, except for closed ended investments (e.g. private equity and infrastructure) which are subject to distributions and drawdowns, a re-balancing exercise is carried out. If necessary the Section 151 officer has delegated authority to undertake rebalancing but any such rebalancing activity is reported to the next meeting of the Committee.
- 7.8 It is intended that the Fund's investment strategy will be reviewed at least every three years, following actuarial valuations of the Fund. The investment strategy review will typically involve the Committee, in conjunction with its advisers, undertaking an in-depth Asset Liability Modelling exercise to understand the risks within the Fund's current investment strategy and establish other potentially suitable investment strategies for the Fund in the future.
- 7.9 The table below shows the 10 year expected returns and volatilities for the asset classes modelled as part of the investment strategy review (data as at 31 March 2019, the date of the Actuarial Valuation):

Asset Class	31 Mar 2019 Returns	31 Mar 2019 Volatility
UK Equity	6.7%	19.0%
Developed Market Equity	6.7%	19.5%
Emerging Market Equity	8.2%	28.0%
Private Equity	8.2%	27.5%
Infrastructure (European)	7.2%	18.5%
Diversified Growth (Cap Pres)	4.4%	9.0%
UK Property	5.2%	12.5%
Multi-Asset Credit (High Yield)	4.4%	10.0%
UK Corporate Bonds (10y AA)	1.9%	9.0%
Fixed Interest Gilts (15y)	1.4%	11.0%
Index-Linked Gilts (20y)	0.2%	10.5%
RPI inflation	3.1%	1.0%
Cash	1.2%	0.5%

Source:Aon

- 7.10 Further details on the Fund's risks, including the approach to mitigating them, is provided in section 11.

8 Asset classes

- 8.1 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.
- 8.2 In line with the Regulations, the Council's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.
- 8.3 Apart from the maximum level of investments detailed in the table above the Fund has no further restrictions.
- 8.4 The majority of the Fund's assets are highly liquid and the Council is satisfied that the Fund has sufficient liquid assets to meet all expected and unexpected demands for cash. Assets in the Fund that are considered to be illiquid include property, infrastructure and private equity. As a long term investor the Council considers it prudent to include illiquid assets in its strategic asset allocation in order to benefit from the additional diversification and extra return this should provide.
- 8.5 For most of its investments the Council has delegated to the fund managers responsibility for the selection, retention and realisation of assets.

9 Fund managers

- 9.1 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.
- 9.2 The investment style is to appoint fund managers with clear performance benchmarks and place maximum accountability for performance against that benchmark with them. Multiple fund managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management. Some managers, such as private equity and infrastructure managers, are remunerated through fees based on commitments and also performance related fees.
- 9.3 Except for the passive global equities manager, the managers are expected to hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers maintain diversified portfolios through direct investment or pooled vehicles.
- 9.4 The management agreement in place for each fund manager, sets out, where relevant, the benchmark and performance targets. The agreements also set out any statutory or other restrictions determined by the Council. Investment may be made in accordance with The Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets. The Regulations specify other investment instruments that may be used, for example, financial futures, traded options, insurance contracts, stock lending, sub-underwriting contracts.
- 9.5 As at the date of this Investment Strategy Statement, the details of the managers appointed by the Committee are as follows:

Manager	Asset Class	Management Approach	Benchmark	Target
London CIV	Global Equities (Longview)	Active	MSCI World Index (GBP) Total Return (Net)	Achieve capital growth
	Global Equities (RBC)	Active, Sustainable	MSCI World Index Total Return (Net) in GBP	Outperform the benchmark by 2% p.a. (net) over rolling 3 year periods
	Emerging Market Equities (JP Morgan)	Active	MSCI Emerging Market Index Total Return (Net) in GBP	Outperform the benchmark by 2.5% (net of fees) over a rolling 3 year period
	Global Credit (PIMCO)	Active	Barclays Aggregate – Credit Index Hedged (GBP) Index	Outperform the benchmark over a rolling 3 year period (net of fees)
	Multi-Asset Credit (CQS)	Active	SONIA	SONIA +4.5%, with volatility of 4%-6% p.a. over rolling 4 year period (net of fees)
	Infrastructure (Stepstone)	Active		8% - 10% p.a. and cash yield of 4% - 6% p.a.
	Renewable Infrastructure	Active		7% - 10% p.a. and cash yield of 3% - 5% p.a.
BlackRock	Global Equities	Passive, Low Carbon	MSCI Low Carbon Target Reduced Fossil Fuel Select Index	Track the benchmark
	UK Credit	Active	iBoxx Sterling non-Gilts 10+ Years Index	Outperform the benchmark over the long term (5 consecutive years)
	UK Index Linked Gilts	Passive	FTSE Actuaries UK Index-Linked Gilts over 5 Years Index	Track the benchmark
	Cash*	Passive	Sterling Overnight Index Average Rate (SONIA)	Maximise income on the investment consistent with maintaining capital and ensuring the underlying assets can easily be bought or sold in the market (in normal market conditions)
GMO	Emerging Market Equities	Active	MSCI Emerging Markets Index-ND	Outperform a standard emerging markets index (such as MSCI-EM) over the long run by 3%.
Insight	Diversified Growth	Active	SONIA	SONIA + 4.5% p.a. gross of fees
La Salle	Property	Active	MSCI/AREF All Property Fund Index	Outperform the benchmark, by maximising total return through a combination of capital growth and income return.

Pantheon	Private Equity	Active	<ul style="list-style-type: none"> Europe Fund V 'A' LP - MSCI Europe Net TR; FTSE Europe Net TR USA Fund VII LP – S&P 500 Total Return Net Index; Russell 2000 Net TR; MSCI US Total Return Net Index Global Secondary Fund III 'A' LP - FTSE All-World Net TR; MSCI AC World Net TR; 	Outperform the relevant benchmarks by 3-5%
Record	Currency Hedging	Passive	To provide a passive currency hedge of 50% of the Fund's global equity exposure	

* Cash is generally held for liquidity purposes, including waiting for drawdowns in respect of illiquid assets

~~** LIBID will cease to exist as an index at the end of 2021. We expect the benchmark to be updated to reflect a similarly appropriate index, for example SONIA.~~

9.6 Where appropriate, custodians are appointed to provide trade settlement and processing and related services. Where investments are held through pooled funds, the funds appoint their own custodians.

9.7 Performance targets are generally set on a three-year rolling basis and the Committee monitors manager performance quarterly. Advice is received as required from officers, the professional investment adviser and the independent advisers. In addition, the Committee requires managers periodically to attend its meetings.

9.8 The Council also monitors the qualitative performance of the Fund managers to ensure that they remain suitable for the Fund. These qualitative aspects include changes in ownership, changes in personnel, and investment administration.

10 Stock lending

10.1 Stock lending is permitted in pooled funds where applicable. Details of investment managers' procedures and controls are available on request.

11 Approach to risk

- 11.1 The Committee has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.
- 11.2 At least once a year the Committee reviews its risk register which details the principal risks identified and the Committee's approach to managing them. The Funding Strategy Statement also includes a section on risk and the ways it can be measured and managed.
- 11.3 The most significant investment risks and methods of managing them are summarised in paragraphs 11.4 – 11.6 below.
- 11.4 Whilst the objective of the Committee is to maximise the probability of achieving the required return on its investments, it recognises that this has to be within certain risk parameters and that no investment is without an element of risk. The Committee acknowledges that the predominantly equity based investment strategy may entail risk to contribution stability, particularly due to the short term volatility that equity investments can involve. The long term nature of the Fund and the expectation that longer term returns from equity investments will exceed those from bonds mean, however, that a significant equity allocation remains an appropriate strategy for the Fund.
- 11.5 A policy of diversification for its investments and investment managers helps the Committee to mitigate overall risk. Benchmarks and targets against which investment managers are expected to perform are further measures put in place to manage the risks for the Fund.
- 11.6 The Committee looks to balance investment returns with ensuring the Fund has sufficient liquidity and cashflow available to meet benefit payments. More than 60% of the fund is invested in highly liquid strategies such as equities and bonds.
- 11.7 Funding risks
- 11.7.1 The major funding risks identified are:
- Fund assets are not sufficient to meet long term liabilities
 - Relative movement in value of Fund assets does not match the relative movement in Fund liabilities
 - Demographic movements, particularly longevity, structural changes in membership and increases in early retirements. and
 - Insufficient assets to meet short and medium term liabilities

11.7.2 The Committee measures and manages these potential financial mismatches in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling undertaken in 2020 which focused on probability of success and level of downside risk. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

11.7.3 The Committee also seeks to understand the assumptions used in any analysis and modelling so that they can be compared to their own views and to enable the level of risks associated with these assumptions to be assessed.

11.7.4 Demographic factors including the uncertainty around longevity / mortality projections (e.g. longer life expectancies) contribute to funding risk. There are limited options currently available to fully mitigate or hedge this risk. The Council monitors liabilities using a specialist service provided by Club Vita, a "sister" company of the Fund's Actuary, Hymans Robertson. Club Vita carries out a comprehensive analysis of the Fund's longevity data to facilitate an understanding which helps to manage this issue in the most effective way.

11.8 Asset risks

11.8.1 The major asset risks identified are:

- Significant allocation to any single asset category and its underperformance relative to expectation.
- General fall in investment markets
- Failure by fund managers to achieve benchmark returns

11.8.2 The Committee measure and manage asset risks as follows:

- The Fund's strategic asset allocation policy requires investments in a diversified range of asset classes, markets and investment managers. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds the Committee has recognised the need for access to liquidity in the short term.

- The Committee has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing several managers and having a significant portion of the Fund's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.
- The Council has established a currency hedge covering 50% of the global equity portfolio to dampen the effect of foreign currency fluctuations against sterling. Approximately 10 major currencies are hedged most notably the US Dollar, Japanese Yen and Euro.

11.9 Security risks

11.9.1 The major security risks identified are:

- Investment manager may not have an appropriate control framework in place to protect and value Fund assets
- Custody arrangements may not be sufficient to safeguard fund assets
- Counterparty default in stock lending programme and foreign exchange forward contracts

11.9.2 The Committee monitors and manages risks in these areas through the regular scrutiny of the audit of the operations independently conducted for each of its investment managers. Where appropriate (e.g. custody risk in relation to pooled funds), the Fund has delegated such monitoring and management of risk to the appointed investment managers. The Committee has the power to replace a provider should serious concerns arise.

12 Approach to pooling

- 12.1 In line with the Government's pooling agenda the Fund, along with all London boroughs, is a shareholder and participating scheme in London LGPS CIV Limited ("London CIV"). The London CIV is authorised by the Financial Conduct Authority as an Alternative Investment Fund Manager with permission to operate a UK based Authorised Contractual Scheme fund. The structure and basis on which the London CIV is operating were set out in the July 2016 submission to Government.
- 12.2 The Fund's intention is to invest its assets through the London CIV as and when suitable pool investment solutions become available. At each of its meetings the Committee considers an update report on progress.
- 12.3 At the time of preparing this Statement approximately 33% of the Fund's assets were invested through the London CIV, with a further 25% of assets invested in pooled passive vehicles which are deemed to be compliant with pooling regulations. Once the Fund's revised investment strategy has been fully implemented, with the commitments to the London CIV Infrastructure Fund and London CIV Renewables Fund being fully drawn, the Fund will have 74.5% of its assets pooled.
- 12.4 The Committee's view is that, in principle, due to the potential costs of disinvestment the only assets held by the Fund which would not be suitable for pooling are its private equity investments. These investments are in a 'winding down' phase, with no further commitments being made to the asset class.
- 12.5 The governance structure of the London CIV has been designed to ensure that there are both formal and informal routes to engage with all the London boroughs as both shareholders and investors. The governance structure of the London CIV includes a Shareholder Committee which acts on behalf of the Shareholders as a consultative body. It comprises of 12 Committee Members made up of 8 Local Authority Committee Chairs (or Leaders of London Local Authorities), 4 Local Authority Treasurers and the Chair of the Board of London CIV. It also comprises of two Non-Executive Directors and as two further nominated observers, a Trade Union representative and a Local Authority Treasurer.. In addition, the London CIV hosts an AGM each year and a general meeting to approve the CIV's budget. The Fund attends these meetings with the Chair of the Pension Committee representing the Fund.
- 12.6 As an AIFM, London CIV must comply with the Alternative Investment Manager Directive ("AIFMD") and falls under the regulatory scrutiny and reporting regime of the Financial Conduct Authority ("FCA"). This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management.

13 Social, environmental and governance considerations

- 13.1 As considered earlier, the Council recognises that it has a paramount duty to seek to obtain the best possible return on the Fund's investments taking into account a properly considered level of risk. It also recognises that environmental, social and governance factors can influence long term investment performance and the ability to achieve long term sustainable returns. As a general principle it considers that the long-term financial performance of a company is likely to be enhanced if it follows good practice in its environmental, social and governance activities.
- 13.2 At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee understands the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.
- 13.3 More recently, the Committee has taken steps to reduce its carbon exposure, through transferring the Fund's passive global equity mandate to a passive low carbon global equity mandate. In addition, the investments into the London CIV Sustainable Equity Fund and the London CIV Renewable Infrastructure Fund are have been made in consideration of the Fund's environmental, social and governance approach. The Committee are considering the most appropriate approach to monitor the Fund's carbon exposure and other climate-risk related considerations.
- 13.4 All the Fund's investments are managed by external fund managers in pooled funds, one of which is passively managed, and the Council recognises the constraints inherent in this policy. Nevertheless it expects its managers, acting in the best financial interests of the Fund, to consider, amongst other factors, the effects of environmental, social and other issues on the performance of companies in which they invest. Further, it expects its managers to follow good practice and use their influence as major institutional investors and long term stewards of capital to promote good practice in companies in which they invest and markets to which the Fund is exposed.
- 13.5 The Fund expects its investment managers (and especially the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long term performance of the Fund. Effective monitoring can inform engagement with boards and management of investee companies to seek the resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed the Fund expects its managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

- 13.6 The Council expects its managers to have signed up to “The UK Stewardship Code” and to report regularly on their compliance with the Code and other relevant environmental, social and governance principles.
- 13.7 Each of the Fund’s investment managers will be asked annually:
- Whether they had signed up to UN Principles for Responsible Investment (PRI)
 - Whether they had signed up to “The UK Stewardship Code”
 - To provide reports on their engagement and voting actions

The responses to these queries will be made available on the Fund’s website

- 13.8 In addition the Committee meets most of its managers at least once a year and they are always asked to discuss the activities they undertake in respect of socially responsible investment and how they consider long term environmental, social and governance risks in making specific investment decisions.
- 13.9 The Fund is a member of the Local Authority Pension Fund Forum, which engages with many companies on a wide range of environmental, social and governance issues.
- 13.10 The Fund does not hold any assets which it deems to be social investments.
- 13.11 The Fund has developed a Responsible Investment Policy which sets out in greater detail its approach on ESG issues.

14 Exercise of the rights (including voting rights) attaching to investments

- 14.1 The Fund recognises the importance of its role as a steward of capital and of the need to seek to ensure the highest standards of governance and corporate responsibility in the underlying companies in which its investments reside.
- 14.2 The Council sees itself as an active shareholder and seeks to exercise its rights (including voting rights) to promote and support good corporate governance principles which in turn will feed through into good investment performance. The Fund is a member of the Local Authority Pension Fund Forum and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners
- 14.3 In practice, the Fund’s equity holdings are wholly invested through pooled funds in which voting and engagement decisions are made by fund managers. The Council encourages its fund managers to vote and engage with investee companies worldwide to ensure they comply with best practice in corporate governance in each locality with the objective of preserving and enhancing long term shareholder value.

- 14.4 Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so.
- 14.5 The fund managers provide reports on their voting and engagement activities.
- 14.6 Any investments the Fund makes through the London CIV will be covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the Local Authority Pension Fund Forum directions.

15 Stewardship

- 15.1 Whilst the Committee expects its investment managers to have signed up to The Institutional Shareholders Committee Code on the Responsibilities of Institutional Investors ("The UK Stewardship Code") it has not yet done so itself. It will be considering whether to do so.
- 15.2 The Committee also expects the London CIV and all managers which it appoints to sign up to the Code.
- 15.3 The Fund also believes in collective engagement and is a member of the Local Authority Pension Fund Forum which exercises a voice on behalf of over 70 local authority pension funds across a range of corporate governance issues.
- 15.4 Additionally the Fund is a member of the Pensions and Lifetime Savings Association through which it joins with other investors to maximize the influence of investors as asset owners.



Report for: Pension Board

Date of Meeting:	2 March 2023
Subject:	London CIV and Investment Pooling Update
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No - except for Appendices 1, 2 and 3 which are exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as each of these contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	Not applicable
Enclosures:	Appendix 1 (Exempt) – LCIV Quarterly ACS Report to 31 December 2022 Appendix 2 (Exempt) – LCIV Quarterly Private Markets Report to 30 September 2022 Appendix 3 (Exempt) – LCIV Fee savings report to 31 March 2022

Section 1 – Summary and Recommendations

This report provides an update for the Board on the current position on Investment Pooling and the LBH Pension Fund's own pooling arrangements with the London Collective Investment Vehicle.

Recommendations:

The Board is requested to consider the report and to make such comments as it considers necessary for consideration by the Pension Fund Committee at its forthcoming meeting.

Section 2 – Report

1. The LGPS (Investment and Management of Funds) Regulations 2016 set the framework within which LGPS pension funds are required to manage their investments. They are required to have an Investment Strategy Statement (ISS) – which sets out how the Fund will manage and invest its assets to enable it to meet its Funding Strategy. The Regulations require funds to include in the ISS how they will approach pooling of investments and use collective investment vehicles. Each Fund is required to be a member of a pool.
2. The Government's long-term objective is that Funds should work towards a position where all LGPS investment assets are managed via pools – with Funds setting the Strategic Asset Allocation (i.e. deciding on what classes of investments Funds should be allocated - e.g. equities, bonds, etc - and whether they should be managed passively or actively) while the pools will select the asset managers within each category. To this end, the Statutory Guidance (issued in 2016) states that “from 2020, funds should only make new investments outside of a pool in very limited circumstances”.
3. The London Collective Investment Vehicle (LCIV) was set up by the London Boroughs in their roles as administering authorities for their respective pension funds. LCIV enables the various Funds to meet the Government's requirements for pooling of investment assets. From the Harrow Pension Fund's perspective, the scale of investments which LCIV oversees enables it to achieve two main benefits
 - the lower level of fees which CIV has negotiated,
 - access to certain asset classes (e.g. Infrastructure, renewables infrastructure) which a Fund of Harrow's size may not be large enough to access cost effectively on its own.
4. Additionally, during 2021 and 2022, LBH has decided to replace two of its equity managers because of poor investment performance, and the availability of suitable managers / investment vehicles within LCIV removed the need for a specific manager selection exercise and hence reduced our costs and shortened the implementation timetable considerably once the investment decision had been made.

5. The London CIV, whilst owned by the London Boroughs' Pension Funds, is regulated by the Financial Conduct Authority as an investment manager, and accordingly is required to meet the various regulatory and governance requirements of the FCA. LCIV does not manage the underlying investments directly – rather it has appointed a range of Fund managers in the various asset classes to do that.
6. LCIV has a monitoring framework against which each underlying manager is monitored, which includes reviewing the managers' investment performance, fee levels, asset allocation (to ensure that they are investing in line with the agreed mandate), and approach to ESG matters, including voting and engagement activity.
7. At 31 December 2022, LCIV had over £13.7 billion of assets under management, and a further £1.1 billion of commitments in respect of the various "Private Markets" funds. Their current fund range includes
 - 8 global equity funds (in addition to the passive funds which are held outside of the CIV)
 - 1 emerging markets equity fund
 - 4 multi asset funds
 - 3 Fixed income funds (2 MAC, 1 Global bonds)
 - 1 Infrastructure fund
 - 1 Renewables Infrastructure fund
 - 1 Private Debt Fund
 - 1 property fund

In addition, a number of new Funds are currently under development.

8. For regulatory / FCA purposes, most LCIV Funds fall within the Authorised Contractual Scheme (ACS) Structure – this includes the equity, fixed income and multi asset funds. Each investment mandate with LCIV is a separate ring-fenced sub fund within the ACS. The remaining funds are "Private Markets" Funds. These tend to be illiquid.
9. The fund development process includes "seed investor groups" from London Borough Pension Funds which may be interested in the investment being considered. The purpose of these groups is to ensure that mandate development follows a direction which the client funds require and hence will invest in. It is possible to participate in these groups to gain an understanding of how the mandate will develop before deciding or committing to invest. Consequently, officers have participated in a number of these groups, and will continue to do so where these are considering investments likely to be of interest to LBH.
10. LCIV's staffing team continues to evolve – the most significant recent change is the appointment of a new Chief Executive, Dean Bowden, following the retirement of Mike O'Donnell. As part of his induction, Dean has been meeting the Pension Fund Committee Chairs and Lead Officers of each of the Boroughs to understand their needs and requirements.
11. As reported elsewhere on this agenda, at 31 December 2022 LBH had 48.8% of its investments in LCIV funds, and a further 29% in passive

funds which are counted as being pooled because the fee arrangements were negotiated by LCIV. Once commitments to the LCIV Renewables Infrastructure Fund and the LCIV Infrastructure Fund are fully called, this will increase the total of investments pooled or counted as pooled to 82%.

12. LCIV's most recent performance reports on its investments are enclosed as follows
 - **Appendix 1** – Quarterly ACS Report to 31 December 2022
 - **Appendix 2** – Quarterly Private Markets Report to 30 September 2022 (the illiquid nature of these investments and the more complex valuation process where these are “unlisted” means that the reporting cycle is slower than the more liquid ACS funds.

These appendices are Exempt as they contain commercially confidential information – hence if Board members wish to discuss these in detail, they can do so in Part 2.
13. A key objective from pooling was to generate savings for client funds through reduced fees payable to managers. The most recent calculation of fee savings (to 31 March 2022) is attached at **appendix 3 – exempt**. Again, if Board members wish to discuss this in detail, they can do so in Part 2.
14. Finally, LCIV is increasing its work in respect of ESG matters – including holding managers to account in respect of their work on voting and company engagement. LCIV will also be a key part of the LBH Fund's ability to meet its Climate Reporting Requirements (TCFD) in due course.

Legal Implications

15. There are no direct legal implications arising from this report.
16. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
17. 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.
18. 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.

19. 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
20. 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.
21. 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.
22. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

23. 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

24. 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.
25. 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

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

Council Priorities

28. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 17/02/2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 16/02/2023

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 17/02/2023

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



Report for: Pension Board

Date of Meeting:	2 March 2023
Subject:	Pension Board Work Programme For Future Meetings
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	
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 2023-24 Municipal Year.

Recommendations:

The Board is requested to comment on the proposed work programme for 2023-24 and note that officers will advise Board members of the meeting dates as soon as these become available.

Section 2 – Report

1. The Pension Board meets quarterly. This is the Board’s final meeting of the 2022-23 municipal year.
2. The final meeting of the Pension Fund Committee will be held on 29 March 2023, at 6.30pm in the Harrow Council Hub. Details of the items to be considered are elsewhere on this agenda. There will be a training session at 5.30pm on Strategic Asset Allocation delivered by the Fund’s Investment Consultants, Aon. As usual, Board members are invited to attend – while this will be an in-person event, a link will be shared to enable Board members to join the training via MS Teams.

3. At the time of publishing this agenda, the timetable of meetings for the 2023-24 municipal year has not yet been approved and published. It is scheduled to be considered and approved by the Cabinet on 16th March 2023. As soon as the timetable is approved, details of the dates of meetings for the Pension Board and Pension Fund Committee will be circulated to Board members.
4. It is intended that meetings will be quarterly – in June, September, December and March (approx.). A suggested work programme for 2023-24, indicating (where applicable) the likely timing of items, 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 Scheme Advisory Board and any Regulatory matters not requiring a separate report.
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
2023-24 Items	
Annual Report and Financial Statements for year ended 31 March 2022 – outcome of audit.	June 2023 – to review the external auditor’s report on the accounts.
Annual Report and Financial Statements for year ended 31 March 2023	<ul style="list-style-type: none"> • June 2023 – external audit plan • June 23 - Draft Annual report • Dec 2023 - Audit outcome
Review of Pension Fund Risk Register	<ul style="list-style-type: none"> • June 2023 • Dec 2023
Regulatory Updates	Ad hoc – as changes occur. Two items expected are <ul style="list-style-type: none"> - Revised LGPS Regulations for implementing McCloud - 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

Investment Strategy Statement	This will be updated when the Strategy review is completed – target Sept or Dec 2023
London CIV and Investment Pooling Update	March 2024

Legal Implications

5. There are no direct legal implications arising from this report.
6. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
7. 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.
8. 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.
9. 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
10. 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.
11. 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.
12. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

13. 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

14. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review is elsewhere on this agenda.
15. 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

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

Council Priorities

18. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 17/02/2023

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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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