

# Pension Board Agenda

**Date:** Thursday 28 July 2022

**Time:** 6.30 pm

**Venue:** Virtual Meeting - Online

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

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**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](mailto:nikoleta.kemp@harrow.gov.uk)

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# Useful Information

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You will be admitted on a first-come-first basis and directed to seats.

Please:

- (1) Take a Covid 19 test before travelling and do not attend in person if you test positive.
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- (7) Advise Security on your arrival if you are a registered speaker.

## Filming / recording

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**Agenda publication date: Wednesday 20 July 2022**

# Agenda - Part I

## 1. **Declarations of Interest**

To receive declarations of disclosable pecuniary or non-pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Committee;
- (b) all other Members present.

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

That the minutes of the meeting held on 3 March 2022 be taken as read and signed as a correct record.

## 3. **Public Questions**

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

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

**[The deadline for receipt of public questions is 3.00 pm, 25 July 2022. Questions should be sent to [publicquestions@harrow.gov.uk](mailto:publicquestions@harrow.gov.uk)**

**No person may submit more than one question].**

## 4. **Petitions**

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

## 5. **Deputations**

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

## 6. **Appointment of Vice Chair**

To appoint a Vice-Chair for the 2022/23 Municipal Year.

## 7. **Pensions Administration Update to 31 March 2022** (Pages 11 - 18)

Report of the Director of Finance and Assurance.

## 8. **Review of Pension Fund Committee Items** (Pages 19 - 24)

Report of the Director of Finance and Assurance.

## 9. **Review of Pension Fund Risk Register** (Pages 25 - 38)

Report of the Director of Finance and Assurance.

## 10. **Pension Board Draft Annual Report 2021- 22** (Pages 39 - 46)

Report of the Director of Finance and Assurance.

## 11. **Review of Pension Fund Governance Compliance Statement** (Pages 47 - 64)

Report of the Director of Finance and Assurance.

## 12. **Work Programme for Future Meetings** (Pages 65 - 68)

Report of the Director of Finance and Assurance.

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

## **Agenda - Part II - Nil**

### **Data Protection Act Notice**

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

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



# Pension Board

## Minutes

### 3 March 2022

**Present:**

**Chair:** Mr R Harbord

<b>Board Members:</b>	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members
	Dr Simon Radford	Employer Representative – Scheduled and Admitted Bodies

**Apologies received:** Councillor James Lee

**141. Declarations of Interest**

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

**142. Minutes**

**RESOLVED:** That the minutes of the meeting held on 16 December 2021, be taken as read and signed as a correct record, subject to the following amendment:

- Page 9 Item 10: Review of Pension Fund Committee Items (24 November 2021) - "A technical amendment to the definition of "Regulatory Capital" in the Shareholder Agreement and *Articles of Association*..."

### **143. Public Questions**

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

### **144. Petitions**

**RESOLVED:** To note that no petitions had been received.

### **145. Deputations**

**RESOLVED:** To note that no deputations had been received.

## **Resolved Items**

### **146. Pensions Administration Update to 31 December 2021**

The Board received a report on Pensions Administration Update for the quarter ending on 31 December 2021, 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 Fund membership had increased particularly with respect of the active members although a significant number of members had also retired during the last quarter.
- 2) A number of enquiries had been received on options for early retirement. While the reasons for these were unclear, it was creating an increase in the workload of the pension administration team. Should any of these enquiries materialise, there could also be significant cash flow implications for the Fund.
- 3) Under statutory provisions, Harrow Council's Pensions Team was preparing to conduct a pension re-enrolment exercise over the summer, with a target completion date of 31 July 2022. Although it was not expected that the re-enrolment would lead to a sizeable number of people joining, it was likely to increase the workload of the pension administration team.
- 4) No further updates had been received on the three complaints to the Pension Ombudsman since the last Pension Board meeting.
- 5) Updated LGPS Regulations were still being awaited although these were likely to be preceded by significant consultation in March or April 2022. The government was consulting on a number of issues including restricting investments into areas which were not considered politically acceptable as well as changes to the pooling regulations.
- 6) Referencing the government's "Levelling Up the UK" White Paper, the Board spotlighted on a statement that up to 5% of LGPS investment assets should be invested in infrastructure and how this would be

implemented in practice. It was noted that the only mandatory part for Administering Authorities would be to have a plan with the 5% target not a ceiling and 30-year time scale, which was unlikely to make this particularly onerous for Administering Authorities.

- 7) The pensions administration performance statistics were measured against the national benchmarks for the Quarter to 31 December 2021 and were set out in Appendix 1 to the officer report. Service performance remained good and case numbers were added to the performance monitoring statistics set out in Appendix 1 for completeness.

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

**RESOLVED:** That the Report be noted.

#### **147. Review of Pension Fund Committee Items**

The Board received a report which summarised the matters due to be considered by the Pension Fund Committee Items at its next meeting on 9 March 2022 and invited the Board's comments.

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

- 1) At its next meeting on 9 March the Pension Fund Committee was due to consider the policies included at item 9 of the Board's agenda.
- 2) The Mazars External Audit Plan was not yet available and had been deferred from the March to the June Pension Fund Committee meeting instead.
- 3) Referencing the December 2021 valuation of the Pension Fund at Appendix 1 to the report, the Board was informed that since December the fund's value had dropped partly due to economic but also political factors linked to the Russian invasion of Ukraine. The Fund was actively working with investment managers to understand fully the impact of this situation. Although Harrow's Pension Fund's investments were all in pooled funds and the direct exposure to Russia was minimal, it was not practical to advocate divestment of these investments. In addition, within the global bond fund there was a small exposure to Russia sovereign debt and the only way to divest would be to write it off. The situation in Ukraine was being closely monitored and the Fund was working to ensure it remained compliant with sanctions as they develop. In terms of exposure to Ukrainian companies, Members were advised that there was no specific data available, but any investments would be significantly smaller, and most would be done through the passive global equity fund. The Fund's exposure to the region had been gradually reduced during January and February as the conflict between Ukraine and Russian began to escalate.

- 4) Considering inflation as a result of energy price hikes, the Board was informed that the interest rate rise would provide a boost for some of the Fund's investments but may also change the value of its liabilities. Some fluctuation was therefore possible as the Fund was entering a period of uncertainty. The Board was also advised that it was important to remain realistic, noting that many of the Harrow Fund's liabilities extended more than 30 years into the future. Members were reminded that the value of the Fund's assets was currently over £1bn which placed the Fund in a strong position relative to its liabilities.
- 5) Harrow's Pension Fund Accounts for 2021 were signed off in January 2022. This was later than originally expected and largely due to delays with the external auditors and their quality control processes for signing off the Council's main accounts. As a result, the timetable for presenting the Audit Plan to the Pension Fund Committee had been deferred until June. This would allow officers to bring the report to the Governance, Audit, Risk Management and Standards (GARMS) committee as well as comply with upcoming pre-election guidance.
- 6) Responding to a question on the review of emerging market equities, the Board was informed that the reason for this review was mainly due to GMO Equity Fund's poor performance over an extended period of time.

**RESOLVED:** That the report be noted.

**148. Government Actuary's Department (GAD) Section 13 Report on the LGPS 2019 Triennial Valuation**

The Board received a report which summarised the key points in the Government Actuary's Department Report into the 2019 LGPS Triennial Valuation. This was the third major GAD report and had been commissioned to ensure a consistency of assumptions and methodologies across the Funds and in the factors used by actuaries. Data collected as part of the valuation had been analysed and was set out in the report.

The following key points were raised:

- 1) Concerns were flagged about a number of funds due to employer contributions set at levels which appeared to be inconsistent with deficit period, required rate of return or where employer contributions had reduced while deficit recovery periods were extended (effectively shifting the burden from current to future taxpayers). Additionally, a number of recommendations were made to the Schemes' Advisory Boards and Actuaries
- 2) The Board noted that the league table set out in the report lacked sufficient detail, with the outcomes of most funds being largely similar. Overall, the differences between funds were insignificant with only one fund in the negative.



- 3) The report focused on four funds as they were considered “typical” and allowed for adequate comparisons of practices and methodologies across all other funds as well as the four main actuarial firms.
- 4) The Board noted the improvements of Harrow’s Pension Fund between 2016 and 2019. These were largely attributed to investment performance as well as level of contributions which had been high for number of years
- 5) Spotlighting on Harrow, the Board also noted that it was unusual for a Local Authority to have such a low percentage of its membership in outsourced employers and non-Harrow employers. Harrow College, which was represented in the Board’s membership was one of the largest employers in the area.

**RESOLVED:** That the report be noted.

#### **149. Review of Fund Policies**

As agreed at the October 2021 meeting and in preparation for the implementation of the Good Governance Review in 2022, the Board received further two Fund Policies for review - the Draft Training Policy and the Draft Fund Administration Strategy - and was asked to provide comments and recommendations on these to the Pension Fund Committee.

During the discussion that ensued the following points were raised with respect to each of the two policies:

##### Draft Training Policy

- 1) The Board noted that the Council had responsibility to ensure that appropriate training was provided to all Members of the Pension Fund Committee and Pension Board to enable them to make decisions and discharge their functions effectively. Reserve members were also encouraged to undertake training although their exposure and involvement in meetings was likely to be limited.
- 2) In terms of Pension Board training, the level required had already been agreed in the Terms of Reference for the Board and was considered appropriate.

The Board commended the policy and did not raise any further comments.

##### Draft Admin Strategy

The strategy set how the Council was going to deliver the service to scheme members and what the responsibilities of various members of staff in that line of work were.

The Board noted the strategy and did not raise any questions or comments.

**RESOLVED:** That the report be noted, and the two policies be recommended to the Pension Fund Committee for consideration.

**150. Pension Board Work Programme for Future Meetings**

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

The Board welcomed the work programme and noted that the Pension Board Annual Report should be considered at the Board's next meeting.

The Chair also announced that it would be necessary to agree a new date for the July meeting of the Board. A number of alternative dates were being considered and a confirmation would be circulated by Democratic Services as soon as practicable.

**RESOLVED:** That the Report be noted and that the new date for the July Board meeting be confirmed.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.28 pm).

(Signed) Richard Harbord  
Chair



## **Report for: Pension Board**

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<b>Date of Meeting:</b>	28 July 2022
<b>Subject:</b>	Pensions Administration Update to 31 March 2022
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	Not applicable
<b>Enclosures:</b>	Appendix 1: Pension Administration Performance Monitoring to 31 March 2022

### **Section 1 – Summary and Recommendations**

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This report summarises the performance of the Pensions Administration team for the quarter ended 31 March 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 March 2022.
2. The pensions administration performance statistics measured against the national benchmarks for the Quarter to 31 March 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 Board is invited to comment on this performance.

3. Table 1 below sets out the membership of the Pension Fund in the current year at 31 March 2022, with previous years at 31 March as a comparator. The percentage of active members in the fund is one indicator of the maturity of the fund.

	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Pensioners	5,795	6,004	6,196	6,460
Deferred	6,966	7,037	7,033	6,957
Active Members	5,400	5,410	5,309	5,586
% Active Members	29.7%	29.3%	28.6%	29.40%
Total	18,161	18,451	18,538	19,003

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

#### **Requirement to Report Breaches of Law**

5. The Pension Board reviewed the breaches in law policy and breaches reporting procedure at its meeting on 16<sup>th</sup> December 2021 – the document was approved by the Pension Fund Committee at its meeting on 9<sup>th</sup> March 2022.
6. There were no known breaches of law in the 2021-22 financial year.
7. During April 2022, there were problems with the printing and distribution of payslips, which arose following a change in Harrow’s payroll arrangements. As a result, some pensioners’ pay details were printed on the reverse of other pensioners’ pay slips. As soon as the error was identified, a breach of the data protection requirements was reported, and action to rectify the situation and prevent it happening again was taken in accordance with the Council’s procedures.

#### **Internal Disputes Cases and Complaints**

8. Since the previous report, one Stage 1 complaint has been dealt with under the Internal Dispute Resolution Procedure. The complaint concerned a statutory review on a tier 3 ill health retirement. As a result of the review, and on the advice of the appointed Independent Registered Medical Practitioner the member’s pension was to have ceased in July 2022. The decision was upheld in the Stage 1 review and the member’s pension ill-health pension will cease in July 2022 and become a deferred pension, payable from Normal Pension Date. Following further correspondence, the member has decided to take early payment of the deferred pension at a reduced rate.

9. As reported to previous meetings of the Board, three complaints have been referred to the Pensions Ombudsman. In all three cases, Harrow responded to the Ombudsman within his deadlines – in one case in January 2021, and in the other two, October 2021. All three cases relate to decisions taken regarding ill health retirement, and the decisions of the Ombudsman are awaited.
10. The Pensions Ombudsman has indicated that their office is dealing with a large number of complaints, (most of which are not related to the LGPS) and that it may be “several months” before they write to LBH again. Whilst this situation is unsatisfactory for the three complainants, as indicated above, the delays are not of Harrow’s making.

### **Payment of Employer Contributions**

11. Employer contributions are required to be paid in arrears by the 19<sup>th</sup> of each month. All employer contributions were paid on time in 2021-22. Employers are contacted if payment has not been received by the due date.
12. Following changes to the Council’s payroll arrangements, the LBH Community Schools were required to make their own payroll arrangements. This means that from April 2022 the 30 schools are now remitting their employer contributions and members’ details in the same way as an external employer – the reconciliation and upload of this information has increased the Admin Team’s workload.

### **Update on Legislation Changes**

#### **McCloud**

13. As previously reported, following the 2020 Consultation, on 13<sup>th</sup> May 2021 the Government announced plans to implement the changes proposed in the consultation from 1 April 2023. The Public Service Pensions and Judicial Offices Act 2022 received Royal assent in March 2022. It amends the Public Service Pensions Act 2013 to rectify unlawful discrimination in public service pension schemes. The current expectation is that the updated LGPS Regulations reflecting these changes will not be published until the autumn of 2022.
14. Once there is some certainty regarding the new Regulations, the LGPS software providers will be able to make the necessary changes. With the help of our software suppliers, Heywoods, LBH has progressed the collection of data from employers in preparation for the changes when these are eventually implemented. Heywoods advise that having completed this for 80% of our scheme employers LBH is better placed than many administering authorities to implement the changes in 2023. The outstanding employers are mainly academy schools, and work is continuing to collect the requisite data.

#### **Exit cap**

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

## **Other Matters**

### **Scheme Advisory Board (SAB)**

16. The SAB’s most recent meeting was on 6 June 2022. Items considered included
- Investment cost transparency and reporting thereof
  - An update on Compliance and Reporting
  - An update on the Queen’s Speech.
17. The agenda and papers can be found at the following link <https://lgpsboard.org/index.php/about-the-board/prev-meetings>
18. The Board published the 2021 Scheme Annual Report for the LGPS. This covers the financial year 2020-21, and can be found at the following link <https://lgpsboard.org/index.php/schemedata/scheme-annual-report>
19. The key headlines from the report are
- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 m members in 2021 from 6.160 m in 2020
  - The total assets of the LGPS increased to £342bn (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%)
  - The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%
  - The scheme maintained a positive cash-flow position overall, including investment income
  - Over 1.8m pensioners were paid over the year
  - CoViD-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020)
  - Total management charges increased by £196m (+12.9%) from £1,517m. This was primarily driven by a £193m (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

### **Triennial Valuation 2022**

20. Following on from the training presentation from the Fund’s actuary (Laura McInroy of Hymans Robertson) at its November meeting, on 9<sup>th</sup> March 2022 the Pension Fund Committee considered a further presentation and report regarding the key assumptions for the 2022

triennial valuation, which is being carried out, based upon the Fund's position as at 31 March 2022.

21. The submission of key data was completed at the end of June, and the actuary is working through the detail of this. The actuary will be updating the Pension Fund Committee on 26 July 2022 on the next phase of work, including development of the Funding strategy statement for consultation with employers following the September meeting of the Committee.
22. Further reports will be submitted to the Pension Fund Committee and to the Board as the valuation work progresses.

## **Legal Implications**

23. There are no direct legal implications arising from this report.
24. The terms of reference for the Board include assisting 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.

## **Financial Implications**

25. 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**

26. 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.
27. There are no specific risk management implications arising from this report.

## **Equalities implications / Public Sector Equality Duty**

28. Was an Equality Impact Assessment carried out? No

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

## **Council Priorities**

30. 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: 07/07/2022**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 07/07/2022**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 07/07/2022**

## **Mandatory Checks**

**Ward Councillors notified:** Not Applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone 020 8736 6552

**Background Papers:** None



**Performance Monitoring 01/01/2022 – 31/03/2022**

<b>SERVICE</b>	<b>National Benchmarking Target</b>	<b>Harrow Achievement %</b>	<b>Cases within Target</b>	<b>Total Cases</b>
Issue letter notifying of dependent's benefit	<b>5 days</b>	<b>100</b>	<b>34</b>	<b>34</b>
Calculation and notification of ill health estimate	<b>10 days</b>	<b>100</b>	<b>1</b>	<b>1</b>
Calculation and notification of retirement benefits estimate	<b>10 days</b>	<b>93.94</b>	<b>31</b>	<b>33</b>
Issue letter to new pension provider detailing transfer-out quote	<b>10 days</b>	<b>100</b>	<b>19</b>	<b>19</b>
Calculation and notification of deferred benefits	<b>10 days</b>	<b>96.39</b>	<b>80</b>	<b>83</b>
Calculation and notification of retirement benefits	<b>5 days</b>	<b>96.97</b>	<b>32</b>	<b>33</b>
Process refund and issue payment	<b>5 days</b>	<b>82.22</b>	<b>37</b>	<b>45</b>
Calculation and notification of ill health benefits	<b>5 days</b>	<b>100</b>	<b>3</b>	<b>3</b>
Issue statutory notification on receipt of transfer funds	<b>10 days</b>	<b>100</b>	<b>5</b>	<b>5</b>

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**Report for: Pension Board**

**Date of Meeting:** 28 July 2022

**Subject:** Review of Pension Fund Committee Items

**Responsible Officer:** Dawn Calvert – Director of Finance and Assurance

**Exempt:** No

**Wards affected:** Not applicable

**Enclosures:** Appendix 1 – Pension Fund Valuation at 31 March 2022

**Section 1 – Summary and Recommendations**

This report summarises the matters considered by the Pension Fund Committee at its next meeting on 9 March 2022, and to be considered at its next meeting on 26 July 2022 and invites the Board to agree any comments they might wish to make to the Pension Fund Committee.

**Recommendations:**

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

**Section 2 – Report**

1. At its meeting on 9 March 2022 the Committee considered the following items

Report	Comments
<b>Part I</b>	
Appointment of Independent Advisors	Mr Colin Robertson and Alderman Richard Romain were reappointed as the Committee’s independent advisors.
Performance Dashboard and Update on Regular items	The Committee considered the report, which summarised the position of the Fund at the end of Q4 2021 (31

	December 2021) and agreed a draft work programme for the Committee for the 2022-23 municipal year.
Review and Approval of Fund Policies	The Committee considered and approved four Fund Policies, all of which had been previously reviewed by the Board and reflected the comments and recommendations of the Board, as follows: <ul style="list-style-type: none"> <li>- Breaches Policy</li> <li>- Conflicts of Interest Policy</li> <li>- Pension Fund Administration Strategy</li> <li>- Training Policy</li> </ul>
Review of Pension Fund Risk Register	The Committee reviewed the Register and noted the additional mitigations in place for some risks.
<b>Part II</b>	
2022 Triennial Valuation – Review of Assumptions	The Fund’s Actuary – Laura McInroy of Hymans Robertson – presented to the Committee on the approach and assumptions to be used in the valuation. The report was considered in part 2 as Hymans Robertson regard the valuation methodology as being their intellectual / commercial property.
Review of Emerging Market (EM) Equities	The Committee approved the redemption of the Fund’s EM equity investments managed by GMO, and the investment of the proceeds in the London CIV Emerging Market Equity Fund.

2. The Committee’s next meeting was due to be held on 26<sup>th</sup> July 2022. As there are no decision required, the meeting will instead be an informal induction / training session, beginning at 5.30pm. Pension Board members will be invited to join this session, and will receive copies of the papers.
3. The items to be covered are in the following table

<b>Item</b>	<b>details</b>
Performance Dashboard and Update on Regular items	The Committee considered the report, which summarised the position of the Fund at the end of Q1 2022 (31 March 2022) and the draft work programme for the Committee for the remainder of the 2022-23 municipal year.

2022 Triennial Valuation – Review of Assumptions	The Fund’s Actuary – Laura McInroy of Hymans Robertson – will update the on the progress with the triennial valuation and the next steps.
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4. The Pension Fund’s investments were valued at £1,018m at 31 March 2022. The details are shown at appendix 1. There have been further drawdowns to both the LCIV Infrastructure Fund and the LCIV Renewables Infrastructure Fund Q2 of 2022, and the transition of Emerging market equities (see above) will be completed in July 2022. At 31 March 2022, 69.9% of the Fund’s investments were pooled or in passive investments which are regarded as being pooled.
5. The Fund’s past service liabilities at 31 March 2022 totalled £1,010m meaning the Fund was approximately 101% funded.

## **Legal Implications**

6. There are no direct legal implications arising from this report.
7. The terms of reference for the Board include assisting 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.

## **Financial Implications**

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

## **Risk Management Implications**

9. 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.
10. 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**

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

## **Council Priorities**

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

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 07/07/2022**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 07/07/2022**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 07/07/2022**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone: 020 8736 6552

**Background Papers:** None

Fund Valuation and Performance																	
March 2021 to March 2022																	
Asset Class	Value 31.03.2021 £'000	Value 30.04.2021 £'000	Value 31.05.2021 £'000	Value 30.06.2021 £'000	Value 31.07.2021 £'000	Value 31.08.2021 £'000	Value 30.09.2021 £'000	Value 31.10.2021 £'000	Value 30.11.2021 £'000	Value 31.12.2021 £'000	Value 31.01.2022 £'000	Value 28.02.2022 £'000	Value 31.03.2022 £'000	Allocation 31.03.2022 %	Strategic Allocation %	Strategic Range %	
<b>Global Equities</b>																	
LCIV - Global Equity Focus Fund	120,618	117,880	117,743	117,658	121,362	125,200	122,078	124,694	121,629	126,700	124,080	124,026	127,495	13	10		
LCIV - Blackrock Passive	247,575	247,596	245,542	255,490	255,906	265,034	261,290	266,066	270,848	276,580	258,626	253,423	269,113	26	24		
LCIV - Sustainable Equity Fund	67,238	70,905	70,967	73,242	74,336	78,200	75,174	78,595	79,601	80,127	73,238	71,467	73,314	7	8		
GMO	89,731	81,215	80,238	83,116	77,932	79,306	77,815	77,941	76,967	77,257	76,185	72,137	71,839	7	8		
Record passive currency hedge	8,136	2,255	6,863	2,496	1,228	-592	-4,041	957	-5,251	-727	-244	-328	-4,041	0			
<b>Total Global Equities</b>	<b>533,298</b>	<b>519,851</b>	<b>521,353</b>	<b>532,003</b>	<b>530,763</b>	<b>547,149</b>	<b>532,316</b>	<b>548,252</b>	<b>543,793</b>	<b>559,938</b>	<b>531,885</b>	<b>520,726</b>	<b>537,719</b>	<b>53</b>	<b>50</b>	<b>45-55</b>	
														Inc Hedging			
<b>Diversifying Return Assets</b>																	
<b>Diversified Growth Fund - Insight</b>	99,827	101,883	102,842	103,680	103,873	104,940	103,590	95,190	94,349	96,315	93,574	93,099	93,776	9	5.5		
Property - LaSalle	61,561	61,717	61,821	63,120	63,359	63,576	65,093	65,368	65,766	68,849	69,064	69,150	71,330	7	6		
Renewables - LCIV Renewables Fund	0	0	0	0	3,781	3,781	3,781	12,347	13,071	13,071	13,256	13,256	13,833	1	5		
Infrastructure - LCIV Infrastructure	16,099	16,735	17,200	18,534	18,763	19,245	21,160	25,581	25,581	26,574	26,574	28,016	29,076	3	7.5		
Private Equity - Pantheon	6,989	6,989	6,989	7,659	7,659	7,659	7,138	7,138	7,138	6,817	6,817	6,817	5,371	1	1		
<b>Diversifying Return Assets</b>	<b>184,476</b>	<b>187,324</b>	<b>188,852</b>	<b>192,994</b>	<b>197,435</b>	<b>199,201</b>	<b>200,761</b>	<b>205,625</b>	<b>205,905</b>	<b>211,626</b>	<b>209,285</b>	<b>210,338</b>	<b>213,387</b>	<b>21</b>	<b>25</b>	<b>20-30</b>	
<b>Risk Control Assets</b>																	
<b>Bonds - Blackrock - FI</b>	97,538	98,019	97,839	100,345	102,647	102,829	75,976	45,893	46,875	45,809	43,451	41,151	42,083	4	5		
<b>Bonds - Blackrock - IL active</b>	24,823	24,925	25,465	25,844	27,528	28,038	608	0	0	0	0	0	0	0	0		
<b>Bonds - Blackrock - IL passive LCIV</b>	0	0	0	0	0	0	47,081	49,483	52,834	49,579	48,110	47,864	46,463	5	5		
<b>Bonds - LCIV Global Bond Fund</b>	0	9,994	20,090	20,367	20,497	20,612	20,388	50,101	50,369	50,416	48,977	47,984	46,816	5	5		
<b>MAC - LCIV MAC Fund</b>	101,226	102,084	102,657	103,229	103,611	104,183	104,470	104,565	104,660	105,519	divs 3498	0	0	0	)	10	
<b>MAC - LCIV Alternative Credit Fund</b>	0	0	0	0	0	0	0	0	0	101,512	103,580	103,777	0	)	0		
<b>Total Risk Control Assets</b>	<b>223,586</b>	<b>235,022</b>	<b>246,050</b>	<b>249,785</b>	<b>254,283</b>	<b>255,662</b>	<b>248,523</b>	<b>250,041</b>	<b>254,739</b>	<b>251,323</b>	<b>242,050</b>	<b>240,579</b>	<b>239,138</b>	<b>24</b>	<b>25</b>	<b>20-30</b>	
<b>Cash &amp; NCA</b>																	
Cash Managers (Blackrock)	12,726	12,726	12,727	12,727	12,728	12,728	12,729	12,729	12,730	12,730	12,731	10,731	10,736				
Cash NatWest	4,399	23,084	11,888	11,692	8,180	7,386	6,546	4,151	4,151	3,464	3,465	3,485	7,333				
Cash Custodian (JP Morgan)	7,949	13,601	13,600	13,599	16,054	16,053	16,052	14,372	14,371	14,371	12,478	12,478	5,977				
Blackrock Dividends (Pending Reinvestment)	0	695	695	0	694	695	694	1,182	1,182	1,182	1,182	1,472	291				
Debtors and Creditors	1,401	1,467	2,024	2,445	2,300	2,520	2,176	2,221	2,221	1,989	1,989	1,989	1,121				
CIV Investment	150	150	150	150	150	150	150	150	150	150	150	150	150				
<b>Total Net Current Assets</b>	<b>26,625</b>	<b>51,723</b>	<b>41,084</b>	<b>40,614</b>	<b>40,106</b>	<b>39,532</b>	<b>38,347</b>	<b>34,317</b>	<b>34,805</b>	<b>33,886</b>	<b>31,995</b>	<b>30,305</b>	<b>25,608</b>	<b>3</b>	<b>0</b>		
<b>Total Assets</b>	<b>967,984</b>	<b>993,920</b>	<b>997,338</b>	<b>1,015,395</b>	<b>1,022,587</b>	<b>1,041,543</b>	<b>1,019,948</b>	<b>1,038,236</b>	<b>1,039,242</b>	<b>1,056,773</b>	<b>1,015,214</b>	<b>1,001,948</b>	<b>1,015,853</b>	<b>100</b>	<b>100</b>		
<b>Assets Pooled</b>																	
- LCIV Funds	31.5%	32.0%	33.0%	32.8%	33.5%	33.7%	34.0%	38.1%	38.0%	38.1%	38.2%	38.8%	38.8%			45.5%	
- Other (Passive) Funds - Regarded as Pooled	25.6%	24.9%	24.6%	25.2%	25.0%	25.4%	30.2%	30.4%	31.1%	30.9%	30.2%	30.1%	31.1%			29.0%	
<b>Total % Pooled</b>	<b>57.1%</b>	<b>56.9%</b>	<b>57.6%</b>	<b>58.0%</b>	<b>58.5%</b>	<b>59.2%</b>	<b>64.3%</b>	<b>68.5%</b>	<b>69.1%</b>	<b>68.9%</b>	<b>68.4%</b>	<b>68.8%</b>	<b>69.9%</b>			<b>74.5%</b>	

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## **Report for: Pension Board**

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<b>Date of Meeting:</b>	28 July 2022
<b>Subject:</b>	Review of Pension Fund Risk Register
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	None
<b>Enclosures:</b>	Appendix 1 - Risk Score Summary Appendix 2 - Pension Fund Risk Register - Key Risks (Red or Amber rated) Appendix 3 - Pension Fund Risk Register - Lower Risks (Green rated)

### **Section 1 – Summary and Recommendations**

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

#### **Recommendations:**

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

### **Section 2 – Report**

#### **Background**

1. In accordance with best practice the Pension Fund has a risk register which was first considered by the Pension Fund Committee in March 2015. The risk register has since been reviewed regularly, most recently at the Committee's meeting on 9 March 2022. The Pension board reviewed the register at its meeting on 16 December 2021.

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

## **Legal Implications**

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

9. The terms of reference for the Board include assisting 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.

## **Financial Implications**

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

## **Risk Management Implications**

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

## **Equalities implications / Public Sector Equality Duty**

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

## **Council Priorities**

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

## **Section 3 - Statutory Officer Clearance**

### **Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 07/07/2022**

### **Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 30/06/2022**

### **Chief Officer: Charlie Stewart**

Signed by the Corporate Director

Date: 29/06/2022

## **Mandatory Checks**

Ward Councillors notified: Not applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone 020 8736 6552

**Background Papers:** None

## PENSION FUND RISK REGISTER

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

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

## DEFINITION OF TERMS

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

  

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

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**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
	<b>REGULATORY</b>								
1	Changes to national pension requirements and/or HMRC rules not being implemented.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate.	D2	D2	Officers monitor current developments through liaison with suppliers and specialist advisors, and participation in network discussions with peers in other LGPS funds.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
	<b>FUNDING - ASSETS AND LIABILITIES</b>								
2	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. Funding Strategy Statement sets out plans / approach to ensure that assets are sufficient to meet liabilities in full over the long term (lifetime of the Fund). The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling (to determine contribution rates) allows for the probability of the fall in returns on Government bonds within a long term context.	D2	D2	The Fund has recently progressed a review of its Investment Strategy, implementing a number of changes which should help to deliver the required level of returns. Work is underway to progress the 2022 triennial valuation. This will include a review of employer contribution rates, and will be followed by work to confirm whether the Investment strategy needs further updating.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
3	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy and Investment Strategy Statements are regularly reviewed in line with the triennial valuation with the objective of ensuring the long term solvency of the Fund.	D2	D2	The Fund receives quarter updates of its valuation based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	D2	ongoing	Director of Finance

31

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
4	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks.	C3	C3	The Fund receives quarter updates of its valuation based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	C3	ongoing	Director of Finance
5	Demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed to ensure that they remain appropriate.	C3	C3		Treasury and Pensions Manager	C3		Director of Finance
<b>FUNDING - INVESTMENT STRATEGY</b>									
6	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Independent Advisors provide additional scrutiny, testing and validation of their work. Investment strategy options are considered as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its asset allocation strategy.	D2	D2	The Investment Strategy Review has recently been completed - March 2022. Once the 2022 Triennial Valuation is completed, the Investment Strategy will be assessed to determine whether it remains appropriate or requires further modification.	Treasury and Pensions Manager	D2	ongoing	Director of Finance



**PENSION FUND RISK REGISTER -  
KEY RISKS**

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

33

**PENSION FUND RISK REGISTER -**  
**KEY RISKS**

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

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

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>REGULATORY</b>									
G1	Changes by regulation to particular employer participation in the Local Government Pension Scheme with impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers, implements them, including amending strategies, as appropriate.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G2	Other UK Legislation (public sector exit cap) conflicts with LGPS Regulations	Government introduced legislation to limit the cost of "exit payments" to £95k, but did not issue updated LGPS Regulations incorporating the necessary changes to align with this. Letter containing Ministerial Guidance issued 28/10/2020 but does not have force of law. Software changes will also be required once the new LGPS Regulations are approved.	C3	E3	Government made a further change to the Regulations in February 2021 - repealing the "Exit Cap". Statutory Guidance on special severance payments issued in May 2022 aligns with the LGPS Regs.	Treasury and Pensions Manager	E3		Director of Finance & Assurance
<b>GOVERNANCE</b>									
G3	Pension Fund Committee members have insufficient knowledge to make correct decisions	Regular training is provided via a structured training programme to allow Members to review and challenge recommendations. Actuarial, investment, independent and officer advice is available to assist Members in making their decisions. The Council's in-house Legal Department provides advice as appropriate.	E2	E2	Fund Training Strategy to be approved in March 2022. This will include regular training sessions will be arranged before each Committee to ensure that knowledge remains up to date.	Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance
G4	Inadequate investment and actuarial advice is available to the Pension Fund Committee or sound advice is not heeded	Properly considered appointment of actuary and investment consultant with relevant experience and professional standards in place. Appointment of additional independent advisers. The Administering Authority, via its Pension Fund Committee and Pension Board maintains close contact with its specialist advisers and, in addition to receiving "statutory" reports, makes of requests for specific reports when required. Advice is delivered at formal meetings and recorded appropriately.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance
G5	Officers do not have sufficient knowledge and experience to advise the Committee and manage the Fund.	Suitably qualified staff appointed. Skills kept up to date through ongoing professional development (including training and technical reading); liaison with other funds and professional bodies and other networks. Training and development needs monitored through annual and monthly meetings with managers. Use of external advisers where appropriate	D3	D3	Fund Training Strategy to be approved in March 2022.	Treasury and Pensions Manager	E3		Director of Finance & Assurance

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

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

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

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

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
	<b>OPERATIONAL</b>								
G19	Major emergency	Business Continuity Plan in place. Service delivery during 2020 and 2021 Covid-19 Pandemic has demonstrated resilience of remote working arrangements.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G20	Systems and data may not be secure and appropriately maintained	Authentication controls including regular password changes and robust user administration procedures are in place. Access rights restricted. Data is backed up on an incremental basis daily and fully backed up weekly. Audit trails and reconciliations are in place. System is protected against viruses and other system threats. Software is regularly updated to ensure LGPS requirements are met. Staff working from home use only LBH equipment and secure log in arrangements. No printing of documents is permitted while working remotely.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G21	Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules.	Sufficient resources are in place, structured appropriately, to carry out the necessary transaction processing. Procedures exist to identify any non-payment of contributions. Internal audit reviews take place regularly and there is an External Audit review of the accounts annually	D4	D4		Treasury and Pensions Manager	D4		Director of Finance
G22	Overpayments made	Most overpayments result from deaths not being notified promptly. In addition to informal contacts, life certificates are regularly sent out and Harrow is a member of the National Fraud Initiative. Pensions Admin participate in the "tell us once" service, so are notified of many deaths through registrars via this service.	C4	C4		Treasury and Pensions Manager	C4		Director of Finance
G23	Breach of data protection legislation.	Data security protocol in place. Staff made aware of importance of ensuring data is properly protected.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
G24	Effect of possible increase in employer's contribution rate on service delivery of Administering Authority and admission and scheduled bodies.	A stabilisation mechanism has been agreed as part of the funding strategy and other measures are in place to limit sudden increases in contributions.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance
	<b>ACCOUNTING</b>								
	None								



## **Report for: Pension Board**

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<b>Date of Meeting:</b>	28 July 2022
<b>Subject:</b>	Pension Board Draft Annual Report 2021-22
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1: Pension Board Draft Annual Report 2021-22

## **Section 1 – Summary and Recommendations**

---

The Pension Board's Terms of Reference require the presentation of an annual report to the Full Council. This report sets out actions taken by Pension Board in the year to 31<sup>st</sup> March 2022 and invites the Board to agree any further comments or changes that it wishes to make to the report.

### **Recommendations:**

The Board is requested to review and comment on the draft annual report and subject to any amendments, to refer the final report to the Council.

## **Section 2 – Report**

1. The Pension Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013. Its role is to assist the Council as the administering authority of the Local Government Pension Scheme (LGPS) in relation to the following:
  - 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 as the LGPS regulations may specify
2. The Board's Terms of Reference require it to present a report on its work to Full Council once a year. The draft report, which covers the Board's work in the year to 31 March 2022, the fifth year of its operation, is attached at appendix 1.

## **Legal Implications**

3. There are no direct legal implications arising from this report.
4. The terms of reference for the Board include assisting 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.

## **Financial Implications**

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

## **Risk Management Implications**

6. Relevant risks are included in the Pension Fund Risk Register, which is the subject of a report elsewhere on this agenda.

## **Equalities implications / Public Sector Equality Duty**

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

## **Council Priorities**

9. Investment performance has a direct impact on the financial health of the Pension Fund. This directly affects the level of employer contribution which, 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: 07/07/2022**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 30/06/2022**

**Statutory Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 29/06/2022**

### **Mandatory Checks**

Ward Councillors notified: NO

### **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

**Background Papers:** None

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# **LONDON BOROUGH OF HARROW PENSION BOARD**

## **2021/22 ANNUAL REPORT (draft)**

### **Background**

The Local Pension Board was set up by 1 April 2015 in accordance with the requirements of the Public Service Pensions Act 2013 (The Act).

The Pension Board has responsibility for assisting the Council as the administering authority of the Local Government Pension Scheme (LGPS) in relation to the following:

- 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 as the LGPS regulations may specify.

The Act provides for the Board membership to be of equal numbers of “employer representatives” and “scheme member representatives”. In addition we have an Independent Member who is currently the Chair of Pension Board.

Harrow Pension Board’s Terms of Reference require the Board to present a report on its work to the Full Council once a year.

This report covers the work of the Pension Board to 31<sup>st</sup> March 2022 – the seventh year of operation of the Harrow Pension Board.

### **Meetings**

Pension Board normally meets quarterly and held its first meeting on 25 June 2015. The current Chair, Richard Harbord and Vice Chair, Gerald Balabanoff were appointed at that meeting and have been re-appointed to those posts annually since that date.

The Board’s Terms of Reference indicate that it will meet at least twice and not more than four times a year. The Pension Regulator’s expectation is that LGPS Pension Boards will meet four times a year.

During 2021-22, the Board met four times.

Importantly, the remaining vacancy, for a representative of the non-LB Harrow employers, was filled during the year.

### **Role and Terms of Reference**

We understand our role and are generally happy with the generic nature of the Terms of Reference, which we reviewed in October 2019. However, our view is that we should meet more than twice a year and that the periods of office of the various

members should be staggered to avoid the potential loss of too much experience at one time.

We recorded our concern that there have been two vacant positions on the Board, for a representative of the “other employers (i.e. not Harrow Council) and a representative for the active (contributing) scheme members, and requested officers to prioritise recruitment to these vacancies.

We have also requested that the membership of Pension Board is extended to ensure that each meeting is quorate. The current terms of reference make no provision for reserve members.

We have also requested that all reports from Pension Fund Committee, including exempt reports, be made available for review by Pension Board on a timely basis.

### Knowledge and Understanding of the Local Government Pension Scheme

To assist in our understanding and to assist in our scrutiny role, we have been provided with a large amount of information about the Scheme, usually with an officer’s commentary, including

- Annual Report and Accounts
- Governance Compliance Statement
- Investment Strategy Statement
- Pension Fund Risk Register
- Policy for Reporting Breaches of Law
- Policy for Avoiding Conflicts of Interest
- Pension Fund Administration Strategy
- Pension Fund Training Policy

### Relationship with Pension Fund Committee

At each meeting, the Board have been advised of the agendas of, and decisions taken by, the Pension Fund Committee at its recent meetings. Our views have, in turn, been reported to the Committee. The Board has also been invited to attend the Committee meetings and the training sessions held prior to each meeting.

A recurring theme throughout the year has been legal advice that members of the Board are not entitled to remain at the Committee’s meetings when exempt papers are discussed even though Board members are expected to abide by the Council’s Code of Conduct.

Since 2018-19 the Pension Board has been referring Pension Board minutes and recommendations to Pension Fund Committee. During 2021-22, the Board was asked to review a number of draft policies before these were submitted to the Pension fund Committee for final approval. This approach to policy development and review has been helpful, and the Committee intends to continue this approach in future.

## Annual Report and Financial Statements

We were again invited to consider the Annual Report and Financial Statements for the Pension Fund, together with their various attachments and the reports of the Auditor. The areas in which we expressed particular interest have been:

- Actuarial assumptions and actuarial valuation results
- Employer contributions
- The prospect of the funding deficit being recovered in 20 years
- The performance of the Fund and the way it is discussed in reports to facilitate the scrutiny process
- The effectiveness of investment managers internal controls
- Local Government Pension Scheme Pooling Arrangements through the London Collective Investment Vehicle (LCIV)

We have received reports on the Scheme Advisory Board's Good Governance Review, the London Collective Investment Pooling arrangements and outcome of the GAD Section 13 review of the 2019 triennial valuation.

## Benchmarking and key performance indicators

We have shown particular interest in benchmarking and key performance indicators.

Traditionally, reliable benchmarking and comparison information covering all administering authorities has not been available. However, recent Government requirements in the context of the pooling arrangements have necessitated the provision of relatively consistent information from all administering authorities.

We have also asked for refinement to pension administration reporting to better understand performance against key performance indicators. KPI's have been considered as a standing item since June 2017. Pension Board receives confirmation of breaches of law and has been assured that annual benefit statements are issued on time.

## Environmental, Social and Governance Issues (ESG)

The Board supports the Committee's stance in expecting fund managers to adopt appropriate codes of practice and that they are required to provide an explanation when they do not. We have also requested information on the LCIV approach to ESG.

## **Training**

Pension Board members are invited to the regular training sessions which take place before pension Fund Committee meetings and Board members have also availed themselves of other relevant training including that offered by CIPFA.

## **Conclusion**

The regulations governing Pension Boards are contained in the Local Government Pension scheme (Amendment) (Governance) 2015 Regulations 2015 (SI2015/57)

The main provisions are:

“(1) Each administering authority shall no later than 1<sup>st</sup> April 2015 establish a pension board (“a local pension board”) responsible for assisting it –

(a) to secure compliance with –

(i) these Regulations,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

(iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

Essentially the role of the Pension Board is one of Scrutiny and our role is wholly advisory.

The Board looks forward to consolidating performance in the current year and continuing to develop its role as an effective body for scrutiny and improvement.



**Report for: Pension Board**

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<b>Date of Meeting:</b>	28 July 2022
<b>Subject:</b>	Review of Pension Fund Governance Compliance Statement
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Governance Compliance Statement

**Section 1 – Summary and Recommendations**

---

This report reviews the Pension Fund’s Governance Compliance Statement. The document was previously approved by the Pension Fund Committee on 24 March 2021.

**Recommendations:**

The Board is requested to

- i. Note the latest position on the LGPS Good Governance Review,
- ii. Consider the updated Governance Compliance Statement and, make any comments for consideration by the Pension fund Committee, which will be asked to approve the Statement at its meeting in September 2022.

**Section 2 – Report**

1. The Local Government Pension Scheme (LGPS) Regulations 2013 (Regulation 55) require the Administering Authority for the Fund to prepare a written statement setting out:
  - whether the authority delegates its function, or part of its functions under the Regulations to a committee, a sub-committee or an officer of the authority;
  - if so, the way in which the delegation operates, including membership of the Committee, voting rights, frequency of meetings etc;

- details of the arrangements for the local Pension Board.
2. The Fund's Governance Compliance statement was last reviewed in March 2021. It is therefore appropriate to review and update it.
  3. The revised Governance Compliance Statement is enclosed at Appendix 1. Once the Board has reviewed it, any comments will be incorporated, and the document submitted to the September 2022 meeting of the Pension Fund Committee for approval and adoption.
  4. The "Good Governance Review" which was reported to the Board in January 2020 was delayed by the Covid-19 pandemic. The final (Phase 3) Report on this subject was published by the Scheme Advisory Board in February 2021, and the Report's Action plan was submitted to the Local Government Minister for consideration. It is expected that Regulations will be published later in 2022 incorporating many of the Review's recommendations.
  5. In view of the likelihood of new Regulations, no changes are proposed to the current Governance Compliance Statement at this time.

## **Legal Implications**

6. There are no direct legal implications arising from this report.
7. The terms of reference for the Board include assisting 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.

## **Financial Implications**

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

## **Risk Management Implications**

9. There are no specific risk management implications arising from this report. The Pension Fund's Risk Register is reviewed regularly by both the Committee and by the Pension Board.

## **Equalities implications / Public Sector Equality Duty**

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



## **Council Priorities**

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

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed on behalf of the Chief Financial Officer

**Date: 07/07/2022**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 30/06/2022**

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 29/06/2022**

## **Mandatory Checks**

**Ward Councillors notified: NO**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

Telephone 020 8736 6552

### **Background Papers:**

LGPS Good Governance Review Phase 3 Report

[https://www.lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://www.lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)

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# **Governance Compliance Statement**

**London Borough of Harrow Pension Fund**

**For review by Pension Board  
28 July 2022**

## CONTENTS

Introduction .....	3
Regulatory Framework.....	4
Delegated Functions .....	5
Pension Fund Committee.....	5
Officer Sub – Group .....	6
Director of Finance and Assurance .....	6
Chief Officers .....	7
Pension Board.....	7
Statement of compliance to guidance.....	9

## Introduction

This is the Governance Compliance Statement of The London Borough of Harrow Pension Fund, administered by Harrow Council, the Administering Authority. The statement provides an overview of Harrow's approach towards the governance of the Pension Fund.

Any enquiries in relation to this Statement should be sent to:

Treasury and Pensions Manager  
London Borough of Harrow  
Civic Centre  
Station Road  
Harrow  
HA1 2XF  
TEL: 020 8736 6552  
Email: [TreasuryManagement@harrow.gov.uk](mailto:TreasuryManagement@harrow.gov.uk)

## Regulatory Framework

This Statement is required by Regulation 55 of the Local Government Pension Scheme (Scheme) Regulations 2013.

The Regulation requires Harrow Council as the Administering Authority to prepare a written statement setting out:

*“... (a) whether the authority delegates its function, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;*

*(b) if the authority does so—*

*(i) the terms, structure and operational procedures of the delegation,*

*(ii) the frequency of any committee or sub-committee meetings,*

*(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and, if so, whether those representatives have voting rights;*

*(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying, and*

*(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).”*

This Statement will be revised and republished following any material change in any of the matters set out above. A current version of the Statement will always be available either at the address on page three or on our website at the link below

<https://www.harrowpensionfund.org.uk/harrow-council-pension-fund/about-s/forms-and-publications/>

## Delegated Functions

The Council has delegated its functions to the following:

- Pension Fund Committee
- Officer Sub – Group
- Director of Finance and Assurance
- Chief Officers

### Pension Fund Committee

The Pension Fund Committee comprises four Members representing two different political parties with voting rights, a co-optee, an investment adviser and two independent advisers without voting rights. Council senior officers attend each meeting and trade union representatives of Scheme members (UNISON and GMB) are also invited as observers.

The Committee meets approximately four times a year and has the following responsibilities:

- 1) to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the Fund), save for those matters delegated to other Committees of the Council or to an Officer;
- 2) the determination of applications under the Local Government Pension Scheme Regulations and the Teachers' Superannuation Regulations;
- 3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 4) to establish a strategy for the disposition of the pension investment portfolio;
- 5) to appoint and determine the investment managers' delegation of powers of management of the fund;
- 6) (for Harrow Council employees) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;

## **GOVERNANCE COMPLIANCE STATEMENT**

- 7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups

### **Officer Sub – Group**

The Officer Sub – Group comprises the Director of Finance and Assurance and the Director of Legal and Governance Services. Other senior officers attend meetings as required.

The Sub-Group meets on an ad-hoc basis and has the responsibility to determine all early retirement applications (from Council employees) in line with Council policy.

### **Director of Finance and Assurance**

#### **Pension Fund Investment**

In respect of the discretionary management arrangements the Director of Finance has the following responsibilities:

- In the name of the Mayor and Burgesses of Harrow Council and on behalf of the Pension Fund and in consultation with the Fund’s managers, to invest in stocks and shares as authorised by the Trustee Investments Act and Pension Fund Regulations, and to authorise the Council’s seal to be affixed to stock transfer forms, rights issues and other investment forms.
- To enter into agreements on the terms and conditions on which these investments are made by the Fund’s managers.
- To enter into under-writing agreements.
- To monitor the investment decisions of the Fund managers and under the terms of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 as amended to ensure the need for diversification and stability of investments



## Chief Officers

Chief Officers are specifically authorised to take decisions on behalf of the Council or its non-Executive Committees in cases of urgency, using the procedure for non-executive decisions on minor matters or the procedure for urgent non-executive decisions.

## Urgent Non-Executive Decisions and Minor Matters

In relation to matters which are the responsibility of a Council Committee, subject to consultation with the Chair of the relevant committee and the nominated members of the two main political groups or their nominees, Chief Officers shall have the power to act on behalf of the Council in cases of urgency and on minor matters, where the urgent matter is of such a nature that it may be against the Council's interest to delay and where it is not practicable to obtain the approval of the Council Committee. In the event of disagreement between the Members consulted, the matter shall be referred to the Chief Executive who may take the decision after consultation with the Leaders of all political groups or their nominees, and if appropriate, with the statutory officers. The safeguards set out below must be followed.

## Safeguards

The procedure must only be used when considered essential to achieving the efficient administration of the service and for urgent matters consideration must be given to whether the matter can wait until the next scheduled meeting or whether the calling of a special meeting can be justified.

All decisions taken by officers under this delegated power must be reported for information to the next meeting of the appropriate committee.

## Pension Board

As required under the Public Service Pensions Act 2013 the Council has set up a Local Pension Board. Its responsibility under the Act is to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Scheme including:

- Securing compliance with the Scheme 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.

In particular the Board oversees:

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

Under the provisions of the Act the Board must include equal numbers of employer and member representatives and it is made up as follows:

- Employer representative – London Borough of Harrow
- Employer representative – Scheduled and admitted bodies
- Scheme members' representative – Active members
- Scheme members' representative – Pensioners
- Independent member.

**Statement of compliance to guidance**

Regulation 55(1)(c) requires Scheme administering authorities to measure their governance arrangements against the principles set out in the statutory guidance. Where compliance does not meet the published standard, there is a requirement to give, in their Governance Compliance Statement, the reasons for not complying.

**Principle A – Structure**

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
- b) That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Not Compliant*				Fully Compliant
a)					√
b)	√				
c)					NA
d)					NA

\* Please use this space to explain the reason for non-compliance.

The Pension Fund Committee comprises representatives of the main employer, London Borough of Harrow (which is also the administering authority and accounts for 82.5% of the Fund’s members), but there is no representation of other employers or scheme members. Two trade unions have observer status. The Pension Board includes a representative of non-Council employers, active scheme members and pensioner members and the views of the Board are reported to the Committee.

**Principle B – Representation**

a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: -

- employing authorities (including non-Scheme employers, e.g., admitted bodies,
- Scheme members (including deferred and pensioner Scheme members),
- where appropriate, independent professional observers, and
- expert advisors (on an ad-hoc basis).

b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

	Not Compliant*			Fully Compliant	
a)				√	
b)					√

\* Please use this space to explain the reason for non-compliance.

The Pension Fund Committee comprises representatives of the main employer, London Borough of Harrow, a co-opted member, two independent advisers and an expert investment adviser but no representation for other employers or scheme members. Two trade unions have observer status.

**Principle C – Selection and role of lay members**

a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

	Not Compliant*			Fully Compliant	
a)					√
b)					√

\* Please use this space to explain the reason for non-compliance.

**Principle D – Voting**

a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

	Not Compliant*				Fully Compliant
a)					√

\* Please use this space to explain the reason for non-compliance

**Principle E – Training/Facility time/Expenses**

a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.

b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken

	Not Compliant*				Fully Compliant
a)				√	
b)					√
c)				√	

\* Please use this space to explain the reason for non-compliance.

The Council policy is that the Pension Fund Committee are aware of the six areas of knowledge and skills relating to the LGPS which CIPFA has identified as being the core technical requirements for those involved in decision making. They are frequently advised of training opportunities and are advised of facility time and the reimbursement of expenses.

A training log for all elected members is maintained.

Included in the Terms of Reference for the Pension Board is:

*Following appointment each member of the Board should be conversant with:*

- *The legislation and associated guidance of the LGPS*
- *Any document recording policy about the administration of the LGPS which is for the time being adopted by the Fund*

**GOVERNANCE COMPLIANCE STATEMENT**

The Administering Authority will provide a training programme which all Committee and Board members will be encouraged to attend

**Principle F – Meetings (frequency/quorum)**

- a) That an administering authority’s main committee or committees meet at least quarterly.
- b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- c) That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented

	Not Compliant*			Fully Compliant
a)				√
b)				NA
c)			√	

\* Please use this space to explain the reason for non-compliance.

Key stakeholders including non-Council employers and the trade unions are consulted on an ad hoc basis e.g. actuarial valuation, Investment Strategy Statement, Funding Strategy Statement

**Principle G – Access**

- a) That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

	Not Compliant*			Fully Compliant
a)				√

\* Please use this space to explain the reason for non-compliance.

**Principle H – Scope**

a) That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements

	Not Compliant*				Fully Compliant
a)					√

\* Please use this space to explain the reason for non-compliance.

**Principle I – Publicity**

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant*				Fully Compliant
a)					√

\* Please use this space to explain the reason for non-compliance.

Please use this space if you wish to add anything to explain or expand on the ratings given above

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**Report for: Pension Board**

**Date of Meeting:** 28 July 2022

**Subject:** Pension Board Work Programme  
For Future Meetings

**Responsible Officer:** Dawn Calvert – Director of Finance  
and Assurance

**Exempt:** No

**Wards affected:** Not Applicable

**Enclosures:** None

**Section 1 – Summary and Recommendations**

This report reviews the Pension Board’s work to date, lists the forthcoming meeting dates and invites the Board to comment on a suggested work programme for the remainder of the 2022-23 Municipal Year.

**Recommendations:**

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

**Section 2 – Report**

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

Matter for Consideration	Board Meeting
<b>Items for consideration at each meeting (all years)</b>	

Pensions Administration – Performance monitoring	Quarterly report – to include updates on McCloud and Exit Cap and Scheme Advisory Board
Pension Fund Dashboard including Long term cashflow and funding	Quarterly report - Considered in review of PF Committee minutes quarterly
Latest Pension Fund Committee Meeting - Summary of Reports and actions	Quarterly report
<b>2022-23 Items</b>	
Pension Fund Risk Register Review	March 2023
Annual Report and Financial Statements for year ended 31 March 2022	Oct 2022 – draft PF Accounts and Annual Report December 2022 – to review the external auditor’s report on the accounts.
Regulatory Updates	Ad hoc – as changes occur. Two items expected are <ul style="list-style-type: none"> <li>- Revised LGPS Regulations for implementing McCloud</li> <li>- A consultation paper about LGPS Investment (covering climate risk, pooling and the “Levelling Up White Paper”.</li> </ul>
Review of Fund Policies	Continuing to Prepare for the implementation of the Good Governance Review <ul style="list-style-type: none"> <li>- Representations Policy</li> </ul>
Triennial valuation 2022	Progress updates at each meeting <ul style="list-style-type: none"> <li>- Funding Strategy Statement September 2022</li> <li>- Initial results – December 2022</li> <li>- Final report – March 2023</li> </ul>

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

- Pension Board
  - 6 October 2022
  - 1 December 2022
  - 2 March 2023
- Pension Fund Committee
  - 19 September 2022
  - 23 November 2022
  - 29 March 2023

## **Legal Implications**

4. There are no direct legal implications arising from this report.
5. The terms of reference for the Board include assisting 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

## **Financial Implications**

6. 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**

7. 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 the agenda for this meeting.
8. 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**

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

## **Council Priorities**

11. 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: 07/07/2022**

**Statutory Officer: Sharon Clarke**  
Signed on behalf of the Monitoring Officer  
**Date: 30/06/2022**

**Chief Officer: Charlie Stewart**  
Signed by the Corporate Director  
**Date: 29/06/2022**

## **Mandatory Checks**

**Ward Councillors notified:** Not Applicable

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager  
Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)  
Telephone: 020 8736 6552

**Background Papers:** None