

Pension Fund Committee Agenda

Date: Wednesday 12 October 2022

Time: 3.30 pm

Venue: Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY

Membership (Quorum 3 Councillors)

Chair: Councillor David Ashton

Conservative Councillors: Norman Stevenson

Labour Councillors: Nitin Parekh
Krishna Suresh

Non-Voting Co-optee: To be appointed
Trade Union Observer(s): Vacancy – UNISON
Ms P Belgrave – GMB

Independent Advisers Mr C Robertson
Honorary Alderman R Romain

Reserve Members:

Conservative Reserve Members: 1. Kanti Rabadia
2. Amir Moshenson

Labour Reserve Members: 1. Jerry Miles
2. Natasha Proctor

Contact: Senior Democratic & Electoral Services Officer
E-mail: democratic.services@harrow.gov.uk Tel: 01135 188523

Scan this code for the electronic agenda:



Useful Information

Joining the Meeting virtually

The meeting is open to the public and can be viewed online at www.harrow.gov.uk/virtualmeeting

Attending the Meeting in person

Directions to the Civic Centre can be found at: www.harrow.gov.uk/contact. It is accessible to people with special needs, with accessible toilets and lifts to the meeting rooms. If you have specific requirements, please contact the officer listed on the front page of this agenda.

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.
- (2) Wear a face covering and use the provided hand sanitiser.
- (3) Stay seated.
- (4) Access the meeting agenda online at [Browse meetings - Pension Fund Committee – Harrow Council](#)
- (5) Put mobile devices on silent.
- (6) Follow instructions of the Security Officers.
- (7) Advise Security on your arrival if you are a registered speaker.

Filming / recording

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

Agenda publication date: Tuesday 4 October 2022

Agenda - Part I

1. Attendance by Reserve Members

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the **whole** of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. Appointment of Vice-Chair

To consider the appointment of a Vice-Chair to the Committee for the Municipal Year 2022/23.

3. 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 Panel;
- (b) all other Members present.

4. Minutes (Pages 7 - 14)

That the minutes of the meeting held on 9 March 2022 be taken as read and signed as a correct record.

5. Public Questions

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

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, Friday 7 October.

Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

6. 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).

7. Deputations

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

8. Co-opted member

To thank Howard Bluston for his service as Co-opted Member of the Committee.

9. **Review of Pension Fund Governance Compliance Statement** (Pages 15 - 32)
Report of the Director of Finance
10. **Draft Pension Fund Annual Report for 2021-22** (Pages 33 - 118)
Report of the Director of Finance
11. **Performance Dashboard and Update on Regular items** (Pages 119 - 142)
Report of the Director of Finance
12. **'Review of Investment Managers' Internal Controls** (Pages 143 - 148)
Report of the Director of Finance
13. **Any Other Urgent Business**
Which cannot otherwise be dealt with.
14. **Exclusion of the Press Public**
To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

Agenda Item No	Title	Description of Exempt Information
15.	Performance Dashboard and Update on Regular Items	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information)).
16.	Review of Investment Managers Internal Controls - Appendix	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information)).
17.	Triennial Valuation 2022 – Initial Whole Fund results	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information)).
18.	Property Investment - LaSalle Property Fund of Funds	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information)).

Agenda - Part II

15. **Performance Dashboard and Update on regular items** (Pages 149 - 160)
Appendices to the report of the Director of Finance

16. **Review of Investment Managers Internal Controls** (Pages 161 - 168)
Appendix to the report of the Director of Finance
17. **Triennial Valuation 2022 - Initial Whole Fund Results** (Pages 169 - 222)
Report of the Director of Finance
18. **Property Investment - LaSalle Property Fund of Funds** (Pages 223 - 240)
Report of the Director of Finance

[Please note that Aon, Advisers to the Fund, will be attending this meeting.]

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 Fund Committee

Minutes

9 March 2022

Present:

Chair: Councillor Nitin Parekh

Councillors: Dean Gilligan Bharat Thakker
Norman Stevenson

**Co-optee
(Non-voting):** Howard Bluston

**Independent
Advisers:** Mr C Robertson Independent Adviser
Honorary Alderman R Romain Independent Adviser

Absent: Pamela Belgrave GMB

197. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

Ordinary Member

Reserve Member

Councillor Keith Ferry

Councillor Dean Gilligan

198. Declarations of Interest

RESOLVED: To note

- (1) the declarations of interest which had been published on the website prior to the meeting and the following additional non-pecuniary interest

made during the course of the meeting by the Non-Voting Co-opted Member, Howard Bluston, in respect of the items on the agenda:

Serve on the North London Committee of the PLSA, which meets at Aon's St Albans offices, though it had only met online on Zoom since Covid. Know and meet representatives of Fund Managers outside formal meetings. Recently attended a dinner sponsored by CQS, and proposed a 'Vote of Thanks' to them.

- (2) that Members, Advisers and the Co-optee remained in the meeting whilst the items were considered and voted upon.

199. Minutes

RESOLVED: That the minutes of the meeting held on 24 November 2022, be taken as read and signed as a correct record.

200. Public Questions

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

201. Petitions

RESOLVED: To note that no petitions had been received.

202. Deputations

RESOLVED: To note that no deputations were received at the meeting.

Resolved Items

203. Performance Dashboard and Update on Regular Items

The Committee received a report of the Director of Finance, together with confidential appendices, which updated Members on:

- the draft Work Programme inviting Members' comments and agreement
- the investment and management performance dashboard report summarising key fund statistics and data, risk indicators and PIRC (Pension and Investment Research Consultants Ltd) performance indicators
- the Fund's performance to 31 December 2021
- the meetings of the Pension Board.

An officer introduced the report and undertook to re-circulate some of the performance figures that appeared distorted and referred to the confidential appendices which would require further discussion in the private session of the meeting.

In response to a question from the Chair, the officer stated that Annual Statements would be sent to active and deferred members of the Fund in July/August 2022 and that he would identify how best to draw their attention to the benefits of completing the 'nomination' section. He would report back on the number of members that had nominated a beneficiary. Additionally, the draft accounts would be reported to the Committee in September 2022.

An Independent Adviser queried the emphasis of matter in property by Mazars, the Council's external auditor. In response, the officer stated that this was a standard qualification made on all Local Authority accounts and LGPS Accounts that had significant investment in property. There were some challenges around property valuations and this assumption was not peculiar to the Harrow Pension Fund. The officer also explained that the difference between the two figures (£68.5m and £61.7m) set out in Section 4 of the report by Mazars were that the lower figure referred to the Fund's property investment with Lasalle, and the higher one included both this and the private equity investment with Pantheon.

RESOLVED: That, subject to the comments set out in the preamble above,

- (1) the Work Programme for 2022-23 be agreed
- (2) the comments on the performance and investment dashboard report, set out at Minute 209, be noted.

[See also Minute 209].

204. Review of Fund Policies

The Committee received a report of the Director of Finance and Assurance, which brought together several Fund Policies for review as part of the steps required to ensure that the Fund was ready for the implementation of the Good Governance Review in 2022. Members noted that the draft Fund Policies had been considered by the Pension Board.

A Member, an Independent Adviser and the Co-opted Member, made the following comments:

- the administration costs that scheme members were required to pay in relation to pension sharing order related to divorce proceedings appeared to be low and concern was expressed if the charge would cover the costs
- support would be available from an Independent Adviser and the Co-opted Member to train new Committee Members following the local election in May 2022
- that the second and third lines of page 90 of the agenda be amended to read: take all necessary steps to consider the breach and, if considered appropriate, report to the Regulator ...

- the need to identify responsible officers whether they be the Section 151 Officer or the Monitoring Officer. An officer undertook to set this out at the beginning of the relevant Policy.

RESOLVED: That

- (1) the report be noted, including the comments of the Pension Board
- (2) the Conflicts of Interest Policy, Breaches Policy, Fund Training Strategy and Administration Strategy be approved subject to the minor corrections set out in the preamble above.

205. Review of Pension Fund Risk Register

The Committee received a report of the Director of Finance setting out the Pension Fund Risk Register which had been updated for review by Members.

An officer introduced the report and explained that the key risks/scores remained unchanged. However, further mitigations had been identified against some key risks and the text in the document strengthened accordingly. He advised that some risks would have to be tolerated – as an example, investment risk was managed partly through diversification.

Members did not make any comments on the Risk Register.

RESOLVED: That the updated Risk Register be received and noted.

206. Appointment of Independent Advisors

The Committee received a report of the Director of Finance, which set out the outcome of the procurement for Independent Advisors and recommended the appointment of advisors as the current contracts were due to expire on 31 March 2022.

RESOLVED: That Alderman Richard Romain and Mr Colin Robertson (t/a Robertson Rumsey Limited) be appointed as Independent Advisers to the LB Harrow Pension Fund for a period of 4 years from 1 April 2022 to 31 March 2026 with an option to extend for 1 year up to 31 March 2027.

207. Dates of Meetings for the Municipal Year 2022/23

RESOLVED: To note that the Pension Fund Committee was scheduled to meet on the following dates during Municipal Year 2022/23:

23 June 2022
20 September 2022
15 November 2022
22 March 2023

208. Exclusion of the Press Public

RESOLVED: That, in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, for the reasons set out below:

Agenda Item No	Title	Description of Exempt Information
14.	Performance Dashboard and Update on Regular Items – Appendices 3, 4, and 7	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information)
15.	Triennial Valuation 2022 - Review of Actuarial Assumptions	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information)
16.	Review of Emerging Market Equities	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information)

209. Performance Dashboard and Update on Regular Items

Members received confidential appendices from an Independent Adviser, setting out the performance of Fund Managers including changes in personnel, and Aon, setting out the ESG Portfolio Dashboard, both of which warranted a detailed discussion.

During the course of discussion, it was suggested that the LCIV (London Collective Investment Vehicle) should be invited to make a presentation to the Committee about the way in which the relationship between them and Stepstone (who advise on the selection of sub funds in respect of the LCIV Infrastructure Fund) had developed. An officer added that, together with Aon and the Independent Advisers, he would be meeting with the LCIV the following day to discuss another outstanding matter – the LCIV Global Equity Focus Fund. Members also discussed the skill set of the LCIV and how it was resourced.

An Independent Advisor and a representative of Aon briefed Members on the impact of the invasion of Ukraine by Russia on the Fund. Investments in Russia were small and divesting existing stock was not currently possible. However, the impact of indirect exposure, notably the Russian subsidiaries and sales made in Russia of the large global developed markets companies, was important. Further, soaring prices of commodities, including metal such as nickel, would lead to higher inflation and could be expected to have a negative impact on the profit margins of companies. This would impact on

supply chains, lead to uncertainty in the financial markets and over interest rate setting by central banks and could possibly lead to a recession.

Members agreed that whilst no immediate action was required on the Fund by the Committee with regard to the Fund's investments, it was important to understand the dynamics involved.

The Committee also received a presentation from Aon on the ESG (Environment, Social and Governance) Dashboard which showed that 50% of the Fund Managers were ESG orientated. The Dashboard presentation had been updated to that circulated with the supplemental agenda and Aon agreed to circulate and share the interactive Dashboard to Members for their use. Aon agreed to check some of the data.

[See also Minute 203]

210. Triennial Valuation 2022 - Review of Actuarial Assumptions

The Committee received a confidential report of the Director of Finance and Assurance, which set out information on the assumptions to be used by the Fund's Actuary, Hymans Robertson, in the forthcoming Triennial Valuation of the LBH Pension Fund.

Members received a presentation from Hymans Robertson entitled '2022 Valuation: Actuarial Assumptions Review', which set out what lay ahead. The purpose of the valuation was to take a financial snapshot and help determine the level of employer contributions required for the period 1 April 2023 to 31 March 2026. Members were fully briefed on the following:

- Background to assumptions
- Financial assumptions
- Demographic assumptions, with life expectancy being the principal assumption.

Members were advised that the purpose of the exercise was to ensure that enough money was available to pay the benefits in full and on time for the lifetime of the member of the Fund. The benefits could not be changed and were determined in accordance with legislation. Hymans Robertson explained how changes in returns on investments would lead to changes in employer contributions.

Members asked questions on the assumptions which were responded to by Hyman Robertson:

Financial –The CPI (Consumer Price Index) was expected to rise strongly over the short term but more modestly over the longer term from previous levels. Increases in salaries in excess of the CPI were not considered to be significant. Whilst advice from the government was awaited on the McCloud Judgement, the judgement was factored in by Hymans Robertson in their assumptions.

Demographic – Longevity was a key assumption. If the average age to which people survived continued to rise faster than assumed, the increased cost of the pension would have to be borne by the employer. The government was currently looking at the impact of this issue (the cost management of the LGPS) and direction was awaited. The source of information on longevity used by Hymans Robertson was their subsidiary, Club Vita. Life expectancy assumptions were based on objective baseline and subjective future improvements. A person's ethnicity was currently not taken into account as the data was not habitually collected for the LGPS and was not defined consistently. Life expectancy was driven by age, gender, post code, salary and these assumptions provided the accuracy required.

In relation to additional questions on the need to increase contributions given the current challenging global situation, Hyman Robertson stated that assumptions were based over a long period of time and geopolitical issues were captured in any modelling exercise. Uncertainty was incorporated in the assumptions used for the return expected on investments. Rising costs would be reported to the Council, including the levels of contributions required.

The Chair thanked the representative from Hymans Robertson for his presentation.

RESOLVED: That the report and the presentation be received and noted.

211. Review of Emerging Market Equities

The Committee received a confidential report of the Director of Finance and Assurance, which set out information about the Fund's Emerging Market equity investments and recommended action following the recent interviews with Fund Managers following poor performance of a Fund Manager.

An officer introduced the report and drew attention to the advice received from Aon, the Investment Consultants to the Fund, details of which were set out in the appendices to the report.

In response to a question from an Independent Adviser on the capacity of the LCIV's (London Collective Investment Vehicle's) Emerging Market Equities Fund, Aon advised that the LCIV's response to the question was satisfactory. Aon also advised that the stocks held by the existing manager would need to be liquidated and that they could not be transferred "in specie" as emerging markets fund managers did not generally permit "in specie" transfer of stocks.

An Independent Adviser suggested that, whilst he was in agreement with the recommendation, the disinvestment ought to be delayed and a further report be submitted to the June 2022 meeting of the Committee to allow the Committee to amend timings. The other Independent Adviser pointed out that the fund was switching between managers, not selling the emerging market investments for cash, and so was of the view that, having taken the decision to change managers, the decision should be implemented without undue delay. Aon advised that the transfer should be "phased in several tranches", and the officer indicated that an appropriate timetable would be agreed with

Aon, using the approach adopted when the transfer from Oldfield to the LCIV Sustainable Equity Fund was implemented in 2021.

RESOLVED: That, having considered the report and the analysis provided by, Aon, Investment Consultants to the Pension Fund,

- (1) the investments in Emerging Market Equities managed by GMO be redeemed and the proceeds invested in the LCIV Emerging Market Equity Fund
- (2) the Director of Finance and Assurance/officers be instructed to make these changes in an appropriate timescale agreed with Aon.

212. Vote of Thanks

On behalf of the Panel, the Chair thanked two Members of the Panel who would not be standing for re-election in May 2022 for their valued contribution to the work of the Pension Fund Committee.

The Chair also thanked officers and all participants for their work.

(Note: The meeting, having commenced at 6.32 pm, closed at 8.48 pm).

(Signed) Councillor Nitin Parekh
Chair



**Report for: Pension Fund
Committee**

Date of Meeting:	12 October 2022
Subject:	Review of Pension Fund Governance Compliance Statement
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – Governance Compliance Statement

Section 1 – Summary and Recommendations

This report reviews the Pension Fund's Governance Compliance Statement. The document was last reviewed by the Committee on 24 March 2021, and the Board's comments are reflected.

Recommendations:

The Committee is requested to

- i. Note the latest position on the LGPS Good Governance Review,
- ii. Consider the updated Governance Compliance Statement and, subject to any comments, to approve it for adoption.

Section 2 – Report

1. 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.

2. 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.The Governance Compliance Statement fulfils this requirement.
3. The Fund's Governance Compliance statement was last reviewed in March 2021. It is good practice to review it regularly and to update it if required.
4. The revised Governance Compliance Statement is enclosed at Appendix 1. The Committee is asked to consider this, and subject to any suggested modifications, to approve it for adoption. In view of the likelihood of new Regulations, no significant changes are proposed to the current Governance Compliance Statement at this time.
5. The document was considered by the Pension Board on 28th July 2022, and the Board's comments have been incorporated. These are as follows
 - Page 5 – the Pension Board is included in the list of people/bodies to whom functions are delegated
 - Page 7 – the policy development work of the Board is included.
6. The Board also raised (in relation to principle G – Access (page 12) a concern that the Chair and members of the Pension Board are not able to attend part 2 of Pension Fund Committee meetings or to see part 2 papers. This matter has previously been raised with the monitoring officer who has ruled that this approach is correct.
7. A further report will be brought to the Committee once the new LGPS Regulations are published, together with any required changes to the Fund's governance arrangements.

Legal Implications

8. There are no direct legal implications arising from this report.
9. The Pension Fund Committee has the following powers and duties:
 - i. 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;

- ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund;
- vi. 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 Regulations 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);
- vii. to apply the arrangements set out in (vi) 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.

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 financial implications arising from this report.

Risk Management Implications

11. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 01/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 30/08/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 01/09/2022

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

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

Governance Compliance Statement

London Borough of Harrow Pension Fund

**For Consideration by Pension Fund
Committee
19 September 2022**

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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

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 Board

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

GOVERNANCE COMPLIANCE STATEMENT

and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;

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

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.
- Development and Review of new policies before these are adopted by the Pensions Fund Committee

GOVERNANCE COMPLIANCE STATEMENT

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 one representative from each 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, 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 Fund
Committee**

Date of Meeting:	12 October 2022
Subject:	Draft Pension Fund Annual Report for 2021-22
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	None
Enclosures:	Appendix 1 – Audit Strategy Memorandum (Mazars) Appendix – 2 Draft Pension Fund Annual report for 2021-22

Section 1 – Summary and Recommendations

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

Recommendations:

The Committee is **recommended** to approve the draft Pension Fund Annual Report for 2021-22 for publication and to authorise the Director of Finance and Assurance to make any changes arising from the audit of accounts before publication.

Section 2 – Report

1. The Accounts and Audit (England) Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Previous timetable deadlines have meant that the draft Statement

of Accounts must be published by 31st May with the audited version being published by 31st July each year.

2. Following the Coronavirus pandemic the legislative requirements were relaxed and this has continued for 2021-22. The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) revised the deadlines to 31st July 2022 for the draft accounts and 30th November 2022 for the audited accounts.
3. The audit is again being carried out by Mazars. Their “Audit Strategy Memorandum”, which sets out their plan for carrying out the audit of the Pension Fund Accounts is enclosed as **Appendix 1**. This was considered by the GARMS Committee on 2 August 2022.
4. The audited Pension Fund Annual Report is required to be published by 1 December 2022 – this requirement has not changed. The draft annual report (which contains the 2021-22 Pension Fund Accounts) is enclosed as **Appendix 2**.
5. The audit of accounts is in progress, and the outcome will be reported to the Committee’s next meeting on 23 November 2022, together with the audited Annual report for approval.
6. To assist in the Committee’s consideration of this matter they are advised of the following key points:

- Fund Revenue Account

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

- The Harrow annual return performance has been as follows:

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

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

- Accounts for year ended 31 March 2022

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

- Scheme Overview

At 31 March, the

- Number of pensioners has increased from 5,795 in 2019 to 6,460 in 2022.
- Number of deferred pensioners has decreased from 6,966 in 2018 to 6,957 in 2022.
- Number of active members increased from 5,400 in 2018 to 5,586 in 2022.

The Fund continues to mature in that benefit payments exceed contributions. This trend towards maturity can be expected to continue as the number of pensioners grows and active membership either stabilises or falls. Cashflow (even after taking account of investment income) is now slightly negative, although the investment strategy retains sufficient liquidity to address this in the short to medium term. The impact of stable membership, longevity and pension increases are likely to increase future cash outflows gradually. In the longer term, it is likely that this will have to be factored into the investment strategy.

Legal Implications

7. There are no direct legal implications arising from this report.
8. The Pension Fund Committee has the following powers and duties:
 - i. 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;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
 - iv. to establish a strategy for the disposition of the pension investment portfolio; and
 - v. to appoint and determine the investment managers' delegation of powers of management of the fund;

- vi. 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 Regulations 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;
- vii. to apply the arrangements set out in (vi) 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.

Financial Implications

9. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Risk Management Implications

10. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review was carried out at the 9th March meeting of the Committee.
11. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 01/09/2022

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 30/08/2022

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 01/09/2022

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

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

Background Papers: None

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Audit Strategy Memorandum

London Borough of Harrow Pension Fund

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Year ending 31 March 2022



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

- 40** Appendix – Key communication points

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



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

19 July 2022

Mazars LLP
30 Old Bailey
London,
EC4M 7AU

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2022

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

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

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

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

Yours faithfully

Lucy Nutley

Mazars LLP

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

www.mazars.co.uk

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

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Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

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

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Audit opinion

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

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



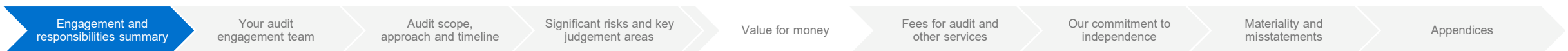
Fraud

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

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

Wider reporting and electors' rights

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



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Section 02:


Your audit engagement team

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2. Your audit engagement team



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



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



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

03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

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

Audit approach

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

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

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

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

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



3. Audit scope, approach and timeline

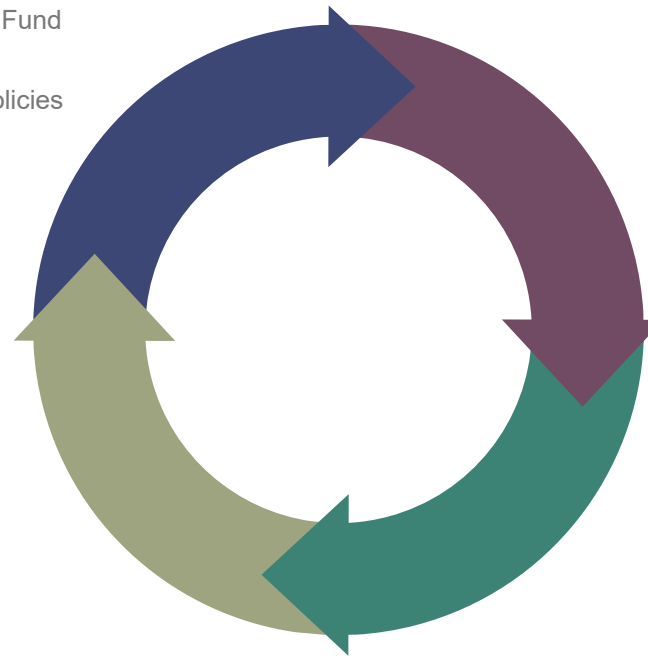
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Planning - March 2022

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

Completion - September to November 2022

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



Interim - March to July 2022

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

Fieldwork - July to September 2022

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



3. Audit scope, approach and timeline

Reliance on internal audit

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

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

Management’s and our experts

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

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

Service organisations

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

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



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Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

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

Significant risk

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

Enhanced risk

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

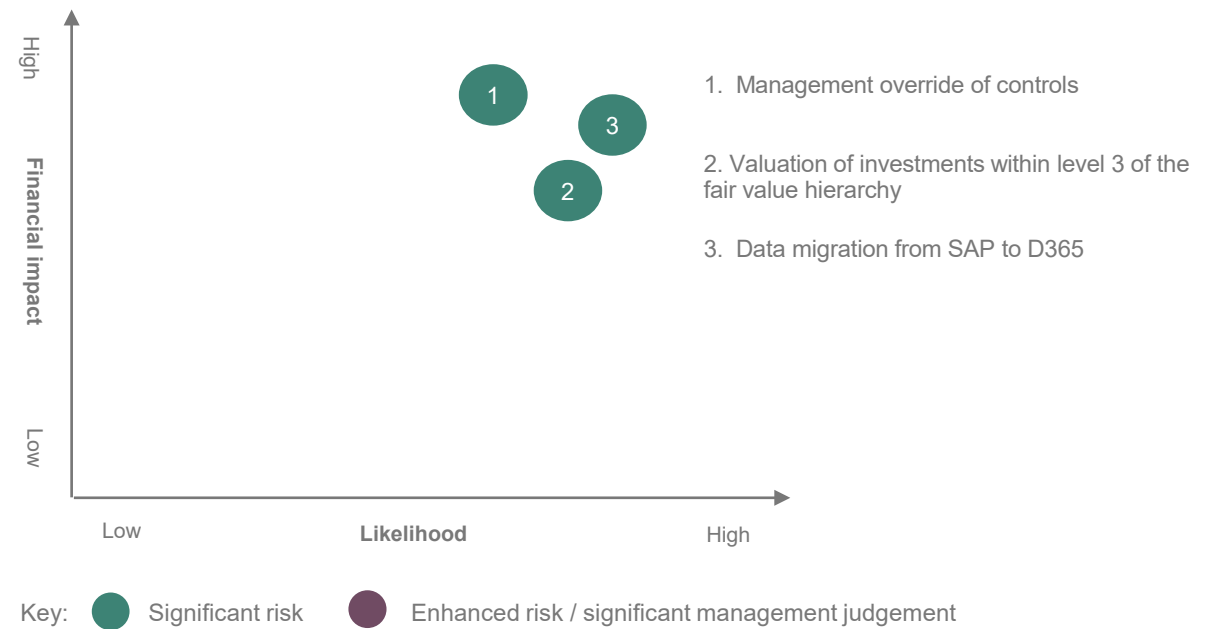
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

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

Summary risk assessment

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



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

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

Significant risks

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



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>As at 31 March 2021, the Pension Fund held investments which were not quoted on an active market with a fair value of £84.7 million, accounting for 8.8% of the Fund’s net investment assets.</p> <p>Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	○	●	●	<p>We plan to address this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • agree holdings from fund manager reports to the custodian’s report; • agree the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation; • agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; and • where audited accounts are available, check that they are supported by a clear opinion.

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4. Significant risks and other key judgement areas

Significant risks

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

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05

Section 05:

Fees for audit and other services

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5. Fees for audit and other services

Fees for work as the Pension Fund’s appointed auditor

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

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

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06

Section 06:

Our commitment to independence

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6. Our commitment to independence

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

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

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

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

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

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

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

No threats to our independence have been identified.

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



07

Section 07: **Materiality and misstatements**

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7. Materiality and misstatements

Summary of initial materiality thresholds

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

Materiality

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

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

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

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

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

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

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

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

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



7. Materiality and misstatements

Materiality (continued)

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

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

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

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

Performance Materiality

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

Misstatements

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

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

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

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

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendix



Appendix: Key communication points

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Appendix: Key communication points

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

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

Form, timing and content of our communications

We will present the following reports:

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

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

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

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

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

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

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



Appendix: Key communication points

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

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



Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <p>65 our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</p> <ul style="list-style-type: none"> • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Governance, Audit, Risk Management and Standards Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

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



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

*where permitted under applicable country laws.

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London Borough of Harrow Pension Fund

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



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INTRODUCTION

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

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

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

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

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

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

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

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

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



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

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

SCHEME MANAGEMENT AND ADVISORS

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

GOVERNANCE ARRANGEMENTS

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

The Pension Fund Committee has the following terms of reference:

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

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

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

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

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

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

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

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

PENSION SCHEME ADMINISTRATION AND PERFORMANCE

Pension Section overview

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

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

Performance Monitoring 2021-22

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

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

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

The costs of running the Pension Fund are shown below:

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

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

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

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

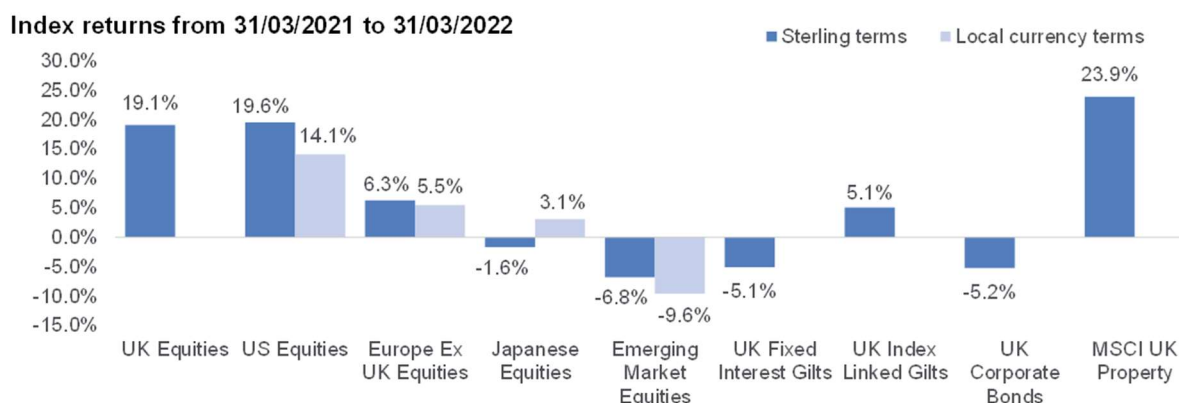
INVESTMENT POLICY AND PERFORMANCE

Investment Market Commentary (provided by Aon, April 22)

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

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

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



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

Investment Policy

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

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

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

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

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

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

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

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

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

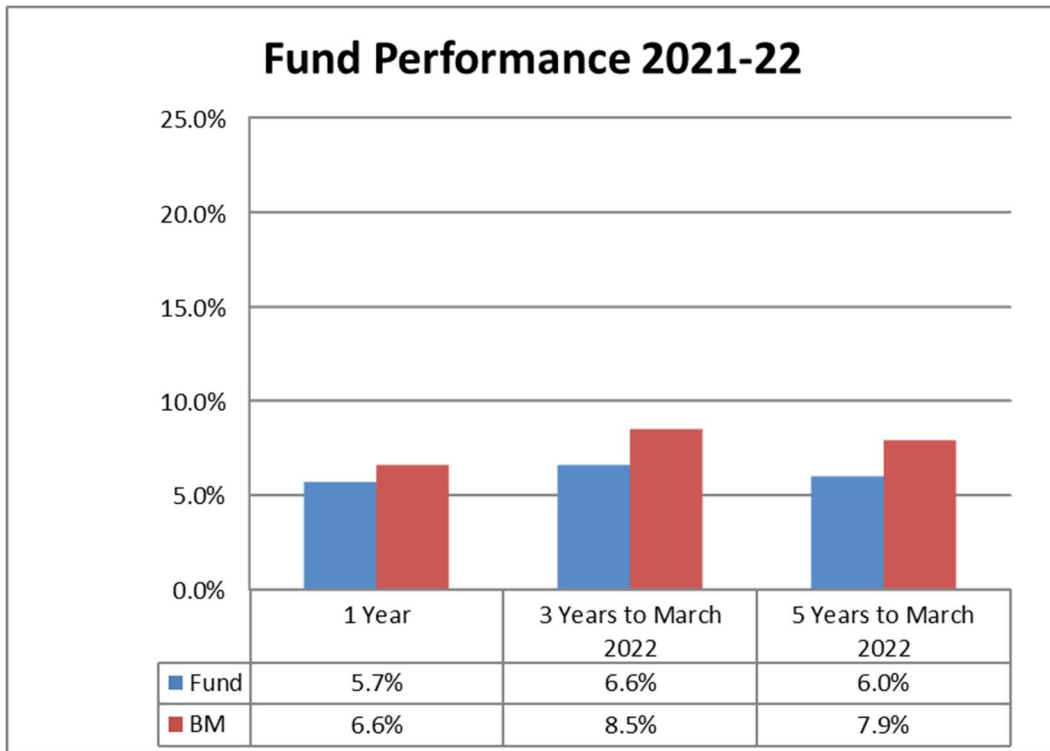
Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	26	24
Developed world equities-active	20	18
Emerging markets equities-active	7	8
Fixed interest securities	5	5
Global Bonds	5	5
Index linked securities	4	5
Private equity	1	1
Cash	2	0
Forward currency contracts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

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

Fund performance

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

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



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

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

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

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

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

Communications Policy Statement

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

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

Funding Strategy Statement

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

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

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

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

Investment Strategy Statement

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

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

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

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

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

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

Local Government Pension Scheme Guide

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

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

RISK MANAGEMENT

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

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

Governance and Regulatory Risk

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

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

Sponsor Risk

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

Investment Risk

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

Pricing Risk

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

Procedures in place to manage the volatility of investments include:

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

Liquidity Risk

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

Counterparty Risk

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

Actuarial Risk

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

Operational Risk

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

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

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

INTERNAL CONTROLS

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

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

The results of the latest reviews are summarised below.

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

CONTACTS

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

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Director of Finance and Assurance;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Financial Statements.

The Director of Finance and Assurance's Responsibilities

The Director of Finance and Assurance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2022 and its income and expenditure for the year then ended.



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

Harrow Pension Fund Account as at 31 March 2022

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

Net Assets Statement as at 31 March 2022

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

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

D. Calvert

Dawn Calvert – CPFA
Director of Finance
13th July 2022

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

NOTE 1: DESCRIPTION OF FUND

The Harrow Pension Fund ('the Fund') is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Harrow. The Council is the reporting entity for the Fund.

a) General

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Harrow Pension Fund Committee, which is a committee of the Council.

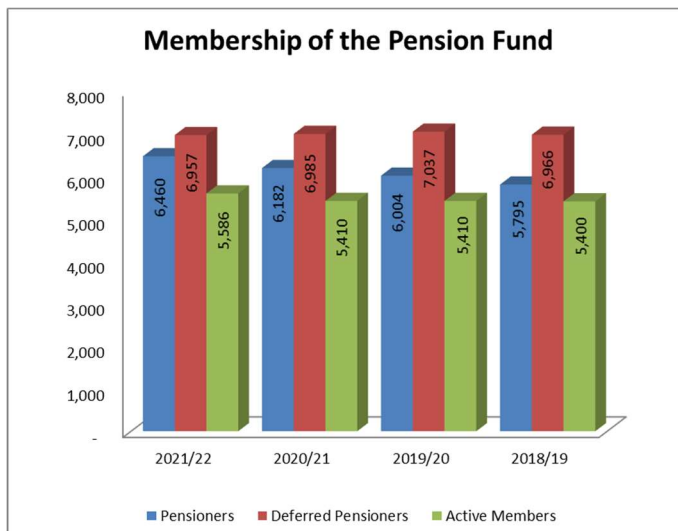
b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Fund include the following:

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

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



Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	6011	5741	3574	15,326	80.64
Nower Hill	Scheduled Body	38	143	168	349	1.83
Stanmore College	Scheduled Body	99	153	92	344	1.80
Heathland and Whitefriars	Scheduled Body	19	86	190	295	1.54
Hatch End High	Scheduled Body	36	131	77	244	1.28
Rooks Heath	Scheduled Body	27	98	115	240	1.26
Park High	Scheduled Body	15	84	116	215	1.13
Canons High	Scheduled Body	17	80	112	209	1.10
Bentley Wood	Scheduled Body	12	90	68	170	0.89
Harrow High	Scheduled Body	17	59	80	156	0.82
St Dominics 6th form college	Scheduled Body	45	33	54	132	0.69
Aylward Primary School	Scheduled Body	9	32	76	117	0.62
Pinner High School	Scheduled Body	3	8	104	115	0.61
Priestmead School	Scheduled Body	4	6	93	103	0.54
Salvatorian Academy	Scheduled Body	21	51	17	89	0.47
St Georges Primary	Scheduled Body	5	5	78	88	0.46
St John Fisher	Scheduled Body	3	8	60	71	0.37
St Josephs Primary	Scheduled Body	4	4	62	70	0.37
Welldon Park School	Scheduled Body	3	5	56	64	0.34
Earlsmead Academy	Scheduled Body	7	11	37	55	0.29
Alexandra Academy	Scheduled Body	5	16	30	51	0.27
Sacred Heart High School	Scheduled Body	2	6	35	43	0.23
Avanti House Secondary School	Scheduled Body	0	4	38	42	0.22
St Bernadettes	Scheduled Body	7	5	30	42	0.22
St Jerome	Scheduled Body	1	2	38	41	0.22
Krishna Avanti Academy	Scheduled Body	0	16	18	34	0.18
Jubilee Academy	Scheduled Body	0	16	16	32	0.17
Avanti House Primary School	Scheduled Body	1	11	18	30	0.16
Avanti School Trust	Scheduled Body	0	2	7	9	0.05
Hujjat Primary School	Scheduled Body	0	0	7	7	0.04
NLCS	Community Admission Body	43	46	47	136	0.72
Evergreen	Admitted Body	0	0	19	19	0.10
ISS Catering	Admitted Body	3	1	11	15	0.08
SOS Ltd	Admitted Body	0	0	7	7	0.04
Brayborne Facilities Services	Admitted Body	0	0	6	6	0.03
SOS Longfield	Admitted Body	0	0	5	5	0.03
Wates (Linbrook)	Admitted Body	1	0	4	5	0.03
Evergreen Harrow High	Admitted Body	1	0	4	5	0.03
PSC Ltd	Admitted Body	0	0	4	4	0.02
PSC Roxeth	Admitted Body	0	0	4	4	0.02
PSC Vaughan	Admitted Body	0	0	3	3	0.02
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Aylward	Admitted Body	1	0	2	3	0.02
Evergreen LBH	Admitted Body	0	1	2	3	0.02
		6,460	6,957	5,586	19,003	100

c) Funding

Full-time, part-time and casual employees, where there is a mutuality of obligation and who have a contract of more than three months, are brought into the Fund automatically but have the right to “opt out” if they so wish. Casual employees with no mutuality of obligation are not eligible for membership.

Employee contribution rates are set by regulations and are dependent upon each member’s full time equivalent salary. Employee contributions attract tax relief at the time they are deducted from pay.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2019 and showed that the Fund was 94% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 18.0% to 26.5% of pensionable pay with the largest employers paying between 19.3% and 20.1%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the Scheme became a career average (CARE) scheme, whereby members accrue benefits based on their pensionable pay in each year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

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

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its position as at 31 March 2022. The Accounts have been prepared on a going concern basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021-22' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the financial year to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years, if significant, are classed as long term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

Fund account – Expense items

a) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

b) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense if it arises.

c) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension's Administration Team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs relating to the oversight and governance of the Fund's investments are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the values of these investments change

Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2021-22.

Net Assets Statement

a) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of an asset are recognised in the Fund account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification guidelines recommended in '*Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)*'

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

b) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. (See note 15)

c) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers and custodians.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

d) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

e) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

f) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance, Clerical Medical and Utmost (Previously Equitable Life) as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4 (1)(b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

g) Contingent Liabilities

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

h) Contingent Assets

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

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

Accounting Standards Issued but not yet fully adopted

The following accounting policy changes are not yet reflected in the 2021-22 Code of Practice. They are not therefore reflected in the Pension Fund Statement of Accounts:

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

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

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

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

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

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> • a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £23.4m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £1.6m • a 0.1% increase in Pension benefits would increase the liability by approximately £21.6m
Private equity (Note 16C)	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £5.4m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.
Fair value – basis of valuation (Note 16)	In March 2020, the outbreak of Covid-19 had a significant impact on global financial markets. This fall in asset prices/values was more than offset by the subsequent recovery during 2020 and 2021. However, there has been a fall back in 2022 to date, due in part to geopolitical events (the Russian invasion of Ukraine and its impact on commodity prices) and their knock-on effect on inflation. As at the valuation date, it is considered that less weight can be attached to previous market evidence to inform opinions of value on level 3 investments. Consequently, less certainty and a higher degree of caution should be attached to level 3 valuations. At the current time, it is still not possible to predict accurately the long term impact of Covid-19 on property investments in some locations and sectors of the economy.	Any reduction in investment values will result in a reduction in the Fund's net asset position.
Pooled Property Fund	Revaluation of Pension Fund assets within the pooled property funds are undertaken by the asset managers using professional valuers as set out in the fund agreements. For 2020/21, following the impact of Covid-19 on global markets, our fund managers advised that valuations were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight could be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – was attached to valuations of pooled property fund assets than would normally be the case. They have not applied the same caveat to the valuations reported as at 31 March 2022.	The total property pooled investments in the financial accounts are £71.33m. There is a risk that these investments may be understated or overstated in the accounts.

NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2021-22.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

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

By type of employer

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

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

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

NOTE 9: BENEFITS PAYABLE

By category

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

By type of employer

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

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

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

NOTE 11: MANAGEMENT EXPENSES

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

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

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

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

NOTE 12: INVESTMENT INCOME

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

NOTE 13: EXTERNAL AUDIT COSTS

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

NOTE 14: INVESTMENTS

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

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

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

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

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

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

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

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

NOTE 14D: STOCK LENDING

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

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

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

Value of Stock on Loan as at 31 March 2022 £25.9m (7.25%) compared to £24.4m (6.60%) as at 31 March 2021.

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

Analysis of Open forward currency contracts:-

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	CHF	7,201	GBP	(5,914)	32	
One to six months	GBP	2,433	AUD	(4,244)	7	
One to six months	GBP	5,842	CAD	(9,569)	22	
Over six months	GBP	25,543	EUR	(29,670)	346	
One to six months	GBP	5,045	HKD	(51,712)	20	
Over six months	GBP	10,912	JPY	(1,662,200)	491	
One to six months	GBP	726	NOK	(8,249)	10	
One to six months	GBP	109	NZD	(205)	0	
One to six months	GBP	2,810	SEK	(34,259)	13	
One to six months	GBP	907	SGD	(1,612)	2	
Over six months	GBP	86,414	USD	(113,445)	241	
Up to one month	JPY	765,400	GBP	(4,785)	7	
Up to one month	AUD	4,244	GBP	(2,429)		(8)
Up to one month	CAD	9,569	GBP	(5,843)		(22)
Up to one month	EUR	14,979	GBP	(12,695)		(32)
One to six months	GBP	2,287	AUD	(4,244)		(135)
One to six months	GBP	5,552	CAD	(9,569)		(268)
One to six months	GBP	11,778	CHF	(14,402)		(140)
One to six months	GBP	241	EUR	(288)		(2)
Over six months	GBP	12,646	EUR	(14,979)		(69)
One to six months	GBP	4,930	HKD	(51,712)		(86)
Over six months	GBP	4,820	JPY	(765,400)		(8)
One to six months	GBP	692	NOK	(8,249)		(25)
One to six months	GBP	103	NZD	(205)		(5)
One to six months	GBP	249	SEK	(3,077)		(2)
One to six months	GBP	883	SGD	(1,612)		(22)
One to six months	GBP	5,416	USD	(7,323)		(147)
Over six months	GBP	162,875	USD	(219,567)		(3,943)
Up to one month	HKD	51,712	GBP	(5,037)		(20)
One to six months	JPY	65,700	GBP	(420)		(9)
Over six months	JPY	65,700	GBP	(421)		(9)
Up to one month	NOK	8,249	GBP	(727)		(10)
Up to one month	NZD	205	GBP	(109)		(0)
Up to one month	SEK	18,668	GBP	(1,529)		(7)
Up to one month	SGD	1,612	GBP	(907)		(2)
Up to one month	USD	113,445	GBP	(86,440)		(261)
Open forward currency contracts at 31 March 2022					1,191	(5,232)
Net forward currency contracts at 31 March 2022						(4,041)
Prior year comparative						
Open forward currency contracts at 31 March 2021					9,083	(947)
Net forward currency contracts at 31 March 2021						8,136

NOTE 16: FAIR VALUE – BASIS OF VALUATION

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

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

Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2022 using data provided by PIRC.

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

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

NOTE 16A: FAIR VALUE HIERARCHY

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

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

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

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss				
Pooled equities investments	541,760			541,760
Pooled bonds investments	88,546	46,816		135,362
Pooled alternative investments	93,776	103,777		197,553
Pooled property investments			71,330	71,330
Pooled infrastructure			45,180	45,180
Private equity			5,371	5,371
Derivative contracts: forward currency		(4,041)		(4,041)
Cash Deposits / Other	24,292	150		24,442
Total	748,374	146,702	121,881	1,016,957

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss				
Pooled equities investments	525,161			525,161
Pooled bonds investments	122,361			122,361
Pooled alternative investments	99,827	101,226		201,053
Pooled property investments			61,561	61,561
Pooled infrastructure			16,099	16,099
Private equity			6,989	6,989
Derivative contracts: forward currency		8,136		8,136
Cash Deposits / Other	25,074	150		25,224
Total	772,423	109,512	84,649	966,584

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

None

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

Period 2021/22	Market Value 31 March 2021	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Private Equity	6,989	0	0	0	(273)	(1,345)	5,371
Pooled - Infrastructure	16,099	0	0	25,582	0	3,499	45,180
Pooled - property	61,561	0	0	0	(448)	10,217	71,330
	84,649	0	0	25,582	(721)	12,371	121,881

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

NOTE 17: FINANCIAL INSTRUMENTS

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

31 March 2021			31 March 2022		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
525,161	0	0	541,760	0	0
122,361	0	0	135,362	0	0
201,053	0	0	197,553	0	0
16,099	0	0	45,180	0	0
61,561	0	0	71,330	0	0
150	0	0	150	0	0
6,989	0	0	5,371	0	0
9,083	0	0	1,191	0	0
0	26,109	0	0	25,676	0
0	767	0	0	910	0
942,457	26,876	0	997,897	26,586	0
Financial liabilities					
(947)	0	0	(5,232)	0	0
0	0	(402)	0	0	(1,240)
(947)	0	(402)	(5,232)	0	(1,240)
941,510	26,876	(402)	992,665	26,586	(1,240)
967,984			1,018,011		
Grand Total			Grand Total		

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on a regular basis.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equities holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's investment managers mitigate this price risk through diversification.

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

Assets type	Potential market movements (+/-) %
Equities	14.10
Bonds	7.90
Alternatives	7.00
Pooled Property	4.10
Private Equity	6.50

Had the market price of the Fund investments increased/decreased in line with the above the change in the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2022	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	537,719	14.10	613,538	461,901
Pooled bond investments	135,362	7.90	146,056	124,669
Pooled alternative investments	197,553	7.00	211,382	183,724
Pooled property investments	71,330	4.10	74,255	68,406
Private Equity	5,371	6.50	5,721	5,022
Pooled Infrastructure	45,180	7.00	48,343	42,018
Equity - London CIV	150	0.00	150	150
Total	992,665		1,099,445	885,890

Asset type	Value as at 31 March 2021	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	533,297	14.20	609,025	457,569
Pooled bond investments	122,361	7.70	131,783	112,939
Pooled alternative investments	201,053	7.10	215,328	186,778
Pooled property investments	61,561	2.20	62,915	60,207
Private Equity	6,989	7.50	7,513	6,465
Pooled Infrastructure	16,099	7.10	17,242	14,956
Equity - London CIV	150	0.00	150	150
Total	941,510		1,043,956	839,064

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 and the impact of a 1% movement in interest rates are as follows:

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

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

This analysis demonstrates that changes in interest rates do not impact on the value of cash and cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than Sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 7.2%

A 7.2% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

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

Currency Exposure - asset type	Asset Value as at 31 March 2022	Change to net assets	
		+7.2%	-7.20%
	£'000	£'000	£'000
Overseas Pooled Equities	516,310	553,484	479,136

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

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However the selection of high quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2022 was £24.3m (31 March 2021: £25.1m). This was held with the following institutions.

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

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of illiquid assets was £121.9m. This represented 11.98% of the total Fund assets (31 March 2021: £84.6m).

Refinancing risk

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

NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation takes place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers).
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (74% at the March 2016 valuation). This corresponded to a deficit of £52m (2016 valuation: £228m).

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

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

The valuation of the Fund has been undertaken using the projected unit method under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions

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

Demographic assumptions

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

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

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

Commutation assumption

It is assumed that 50% of future retirees will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

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

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

IAS19 Assumptions used

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

NOTE 21: CURRENT ASSETS

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

NOTE 21A: LONG TERM DEBTORS

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

NOTE 22: CURRENT LIABILITIES

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

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

NOTE 24: AGENCY SERVICES

There were no payments of this type

NOTE 25: RELATED PARTY TRANSACTIONS

Harrow Council

The Fund is required under IAS24 to disclose details of material transactions with related parties. The Council is a related party to the Pension Fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out below.

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

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

Governance

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

NOTE 25A: KEY MANAGEMENT PERSONNEL

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

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

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

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

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

NOTE 27: CONTINGENT ASSETS

One admitted body employer in the Fund holds an insurance bond/guarantee to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

London Borough of Harrow Pension Fund (“the Fund”) Actuarial Statement for 2021/22

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

Description of Funding Policy

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

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still at least a 72% likelihood that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

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

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

Principal Actuarial Assumptions and Method used to value the liabilities

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

Method

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

Assumptions

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

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

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

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

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

*Aged 45 at the 2019 Valuation.

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

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

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



Laura McInroy FFA

24 June 2022

For and on behalf of Hymans Robertson LLP

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**Report for: Pension Fund
Committee**

Date of Meeting:	12 October 2022
Subject:	Performance Dashboard and Update on Regular Items
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No - except for Appendix 3 and 4 which are Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	None
Enclosures:	Appendix 1: Investment Dashboard as at 30 June 2022 (Aon) Appendix 2: PIRC Local Authority Pension Performance Indicators to 30 June 2022 (Exempt) Appendix 3 Manager Monitoring Report - Executive Summary (Aon) (Exempt) Appendix 4 - Report from Independent Advisor Appendix 5 – Fund Valuation as at 31 July 2022

Section 1 – Summary and Recommendations

This report updates the Committee on regular items as follows:

- Draft work programme on which the Committee’s comments and agreement are requested.
- It includes the investment and management performance dashboard report summarising key fund performance and risk indicators and PIRC Performance Indicators
- Fund performance to 30th June 2022
- Update on Pension Board

Recommendations:

The Committee is requested to review and to comment as necessary on the performance and investment dashboard report and approve the draft work programme for the remainder of 2022-23.

Section 2 – Report

A. Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2022-23 (Sub-section B)
 - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
 - Fund Performance and actions for periods ended 30 June 2022 (Sub-section D and Appendix 5)
 - Issues raised by Pension Board (Sub-section E)
 - Other matters (Sub-Section F)

B Draft Work Programme 2022-23

2. The dates set for future meetings of the Committee in the 2022-23 municipal year have been provisionally set as follows:
 - Wednesday 23 November 2022
 - Wednesday 29 March 2023
3. An outline work programme has been drafted as follows:

Meeting	Item
All Meetings	Regular Items update <ul style="list-style-type: none">- Work Programme- Pension Board Items- Performance- Fund valuation / Dashboard- ESG Dashboard

15 November 2022	External Audit Report on 2021-22 Accounts
	Triennial Valuation – Initial employer results (non LBH employers)
	Funding Strategy Statement Review and approval for consultation with other employers
	Review of Risk Register
22 March 2023	Triennial Valuation – Final report
	Investment Strategy – Next Steps

4. The meetings are currently scheduled to start at 6.30pm. It is intended that a training session will be held before each meeting, beginning at 5.30pm. Detailed arrangements for each meeting will be confirmed nearer the date.
5. The Committee will have the opportunity to update this programme but are invited to comment on the draft above and agree it at this stage. The list will be augmented as necessary during the year.

C Summary Performance Dashboard for Period Ended 30 June 2022

6. Attached as Appendix 1 is a summary investment performance dashboard produced by Aon. It is designed to provide summary reporting and to streamline the performance reports presented to committee.
7. The investment dashboard shows the Pension Fund's estimated Investment Funding Level of 107% as at 30 June 2022 and the fund assets (£969m) and liabilities (£868m). This estimate of liabilities is simply a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Committee in December 2019.
8. The estimated funding level has improved since the 2019 valuation. This is driven partly by the fact that returns yield on investments on investments have exceeded expectations in that period, and partly because since March 2022 there has been a change in market conditions which in turn leads to a more favourable measurement of the Fund's liabilities. This update is at a single point in time, and further market movements will lead to further fluctuations in funding level.
9. It should be noted that the 107% funding level relates only to "past service" benefits (i.e. service accrued to date). As a scheme which is "open" (i.e. both to future accrual of benefits for existing members and to new joiners), the Fund will also have to meet significant liabilities in respect of future service, which will in turn depend on pay levels and other factors. However, based upon 2019 data and assumptions, the Fund's position has improved, and the probability of being able to meet its liabilities in full in 20 years' time has increased. No de-risking actions are recommended at the current time.
10. The 2022 Triennial valuation is in progress, and initial "whole fund" results are reported later on this agenda. The 2022 Triennial valuation is in

progress, and initial “whole fund” results are reported later on this agenda. included

11. The Dashboard includes a summary of asset allocation relative to the strategic benchmark. It also shows the current allocation made to the London CIV or under fee arrangements negotiated by the CIV (78.3%) and a summary of manager performance and manager rating. Once the commitments to the LCIV Infrastructure and LCIV Renewables Infrastructure Funds have been fully drawn down, this will rise to 82.5%.
12. The Fund subscribes to the performance data service provided by Pension and Investment Consultants Limited (PIRC) The PIRC performance report is attached as Appendix 2 to this report. The dashboard summarises the quarter, 1-year, 3-year and 5-year performance. The performance in all of these timeframes was below the fund benchmark. This is in part due to the poor performance of the two equity managers which the Fund has replaced in the period since March 2021.
13. Appendix 3 Manager Monitoring Report - Executive Summary reports on managers who have received the Aon “qualified” or “in review” rating. This is summarised on the dashboard ‘Manager in Focus’ section. Appendix 4 sets out the comments of one of the Fund’s Independent Advisors in respect of the various managers’ performance and other related information. **These appendices (3 and 4) are exempt, so any discussion of the detail therein will need to be undertaken in Part II of the meeting.**

D Fund Performance and Valuation for Period Ended 30 June 2022 and subsequent activity

14. Appendix 5 sets out the change in the market value of the Fund’s investments from 31st March 2022 to 31st July 2022. The table has been ordered to align the various investments with the three high-level “bucket” groupings approved under the Investment Strategy Review – Equities, Diversifying Return Assets and Risk Control Assets. The value of the Fund at 30th June 2022 had fallen over the quarter to £928.9m (from £1,018.0m as at 31st March 2022).
15. The values of most asset classes (except property) fell during the quarter – this was due to the various pressures on the global economy, including the impact of the war in Ukraine on energy and commodity prices, the growth in inflation driven partly by those impacts and also by continued lockdowns in areas of China leading to shortages of some products. In addition, the fall in the value of the £ relative to the US dollar has impacted negatively on the Fund’s currency hedging positions. During July the Fund’s value increased by £40m. The main contributor was equities, although other asset classes also recovered some of the ground lost in the previous quarter.
16. During the quarter there were several drawdowns against the Fund’s commitments to the LCIV Infrastructure Fund (£3.5m approx.) and the LCIV Renewables Infrastructure Fund (£1.05m approx.). This progress has continued in the current quarter, with further drawdowns to both Funds (more than £13m in total). As previously approved by the Committee, these

drawdowns are being funded by withdrawals from the Insight DGF (£8m) with the remainder from cash balances.

17. Following the decision of the Committee in March 2022, the transition of the Fund's Emerging Market Equity portfolio from GMO to the LCIV Emerging Market Equity Fund was progressed in the quarter and was completed in July 2022.
18. LaSalle Property Fund – a separate report elsewhere on this agenda sets out the latest position and recommends actions in respect of this fund.

E Meetings of Pension Board

19. At its meeting on 28 July 2022 the Board
 - Considered a report on the Pensions Administration performance, including updates on McCloud and other matters, and requested officers to write to the Pensions Ombudsman expressing concern at the delays (on the part of the Ombudsman) in considering three cases which are under review
 - Reviewed the Pension Fund Risk Register
 - Reviewed the Fund's Governance Compliance Statement and made some comments / suggestions on that document. The Statement is to be considered for approval elsewhere on the agenda for this meeting.
 - Approved the Board's Annual Report for submission to the Council meeting in September 2022.
 - And approved a draft work programme for the remainder of 2022-23.
20. The Board's meetings in the remainder of the 2022-23 municipal year are
 - 6 October 2022
 - 1 December 2022
 - 2 March 2023

Legal Implications

21. There are no direct legal implications arising from this report.
22. The Pension Fund Committee has the following powers and duties:
 - i. 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;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;

- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund;
- vi. 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 Regulations 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;
- vii. to apply the arrangements set out in (vi) 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.

Financial Implications

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

Risk Management Implications

24. Risks included on corporate or directorate risk register? **No**
 Separate risk register in place? **Yes**
25. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review is to be carried out at this meeting – see report elsewhere on the agenda.
26. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 01/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 01/09/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 01/09/2022

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone 020 8736 6552

Background Papers: None

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127 Investment Dashboard

Q2 2022

Prepared for: London Borough of Harrow Pension Fund

Prepared by: Aon

Date: 12 September 2022



For professional clients only

AON

Dashboard summary

Funding

107.0%

Qtr ▲ 6.4%

Source: Hymans Robertson

Assets

£929m

Qtr ▼ £87m

Liabilities

£868m

Qtr ▼ £142m

Yields & MTAA views

31 May

Market Pricing
▲ 2.7%

3yr Aon View**

Market Pricing
▲ 2.8%

5yr Aon View**

Nominal 2.6%

Real -1.1%

Inflation 3.7%

▲ 2.7%

▲ -0.8%

▼ 3.5%

▲ 2.8%

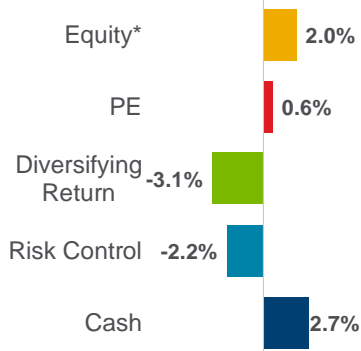
▲ -0.6%

▼ 3.4%

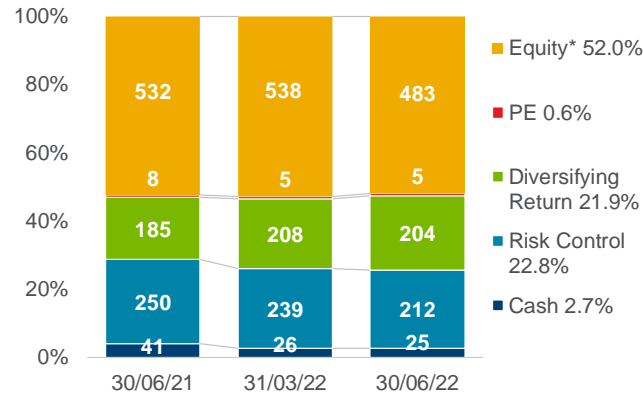
Source: Aon

Asset Allocation

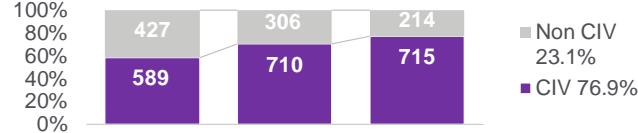
Rebalance to strategic



Absolute



London CIV

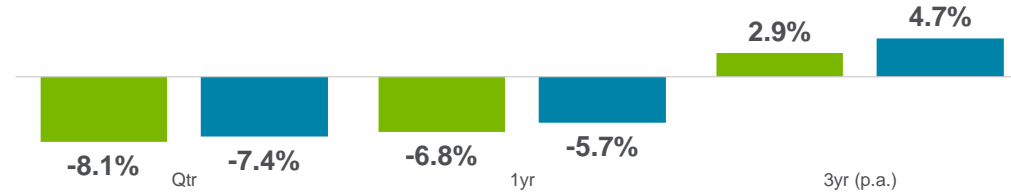


Source: London Borough of Harrow Pension Fund Officers *includes passive currency hedge
** Due to volatility in the market, Aon have not produced their view for this quarter

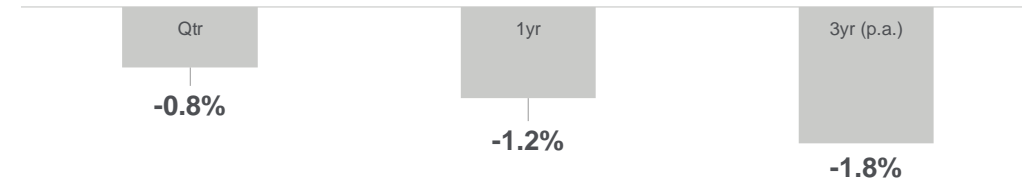
Performance

Absolute

■ Fund ■ Bmark



Relative



Fund and Benchmark Performance Source: PIRC

Managers in Focus

Buy

- LCIV BlackRock Equities
- LCIV Equity Focus Fund (Longview)
- LCIV BlackRock equities
- LCIV Sustainable Global Equity (RBC)***
- BlackRock Corporate Bonds
- BlackRock Index-Linked Gilts

Qualified

- Insight - Broad Opportunities Fund
- LaSalle UK Property

Sell

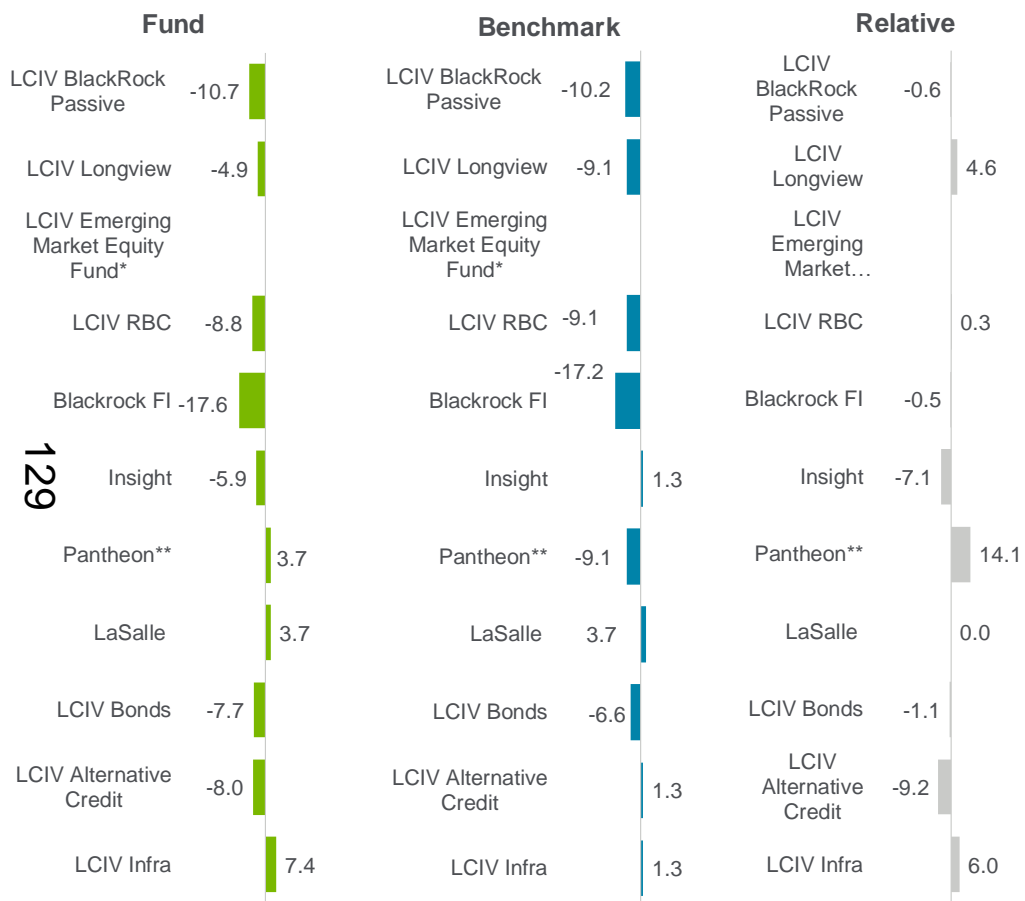
Source: Aon

Note: The underlying funds for the LCIV Emerging Market Equity Fund, the LCIV Infrastructure and Renewables Funds, the LCIV Global Bond funds and the LCIV Alternative Credit Fund, are currently Not Rated by Aon.

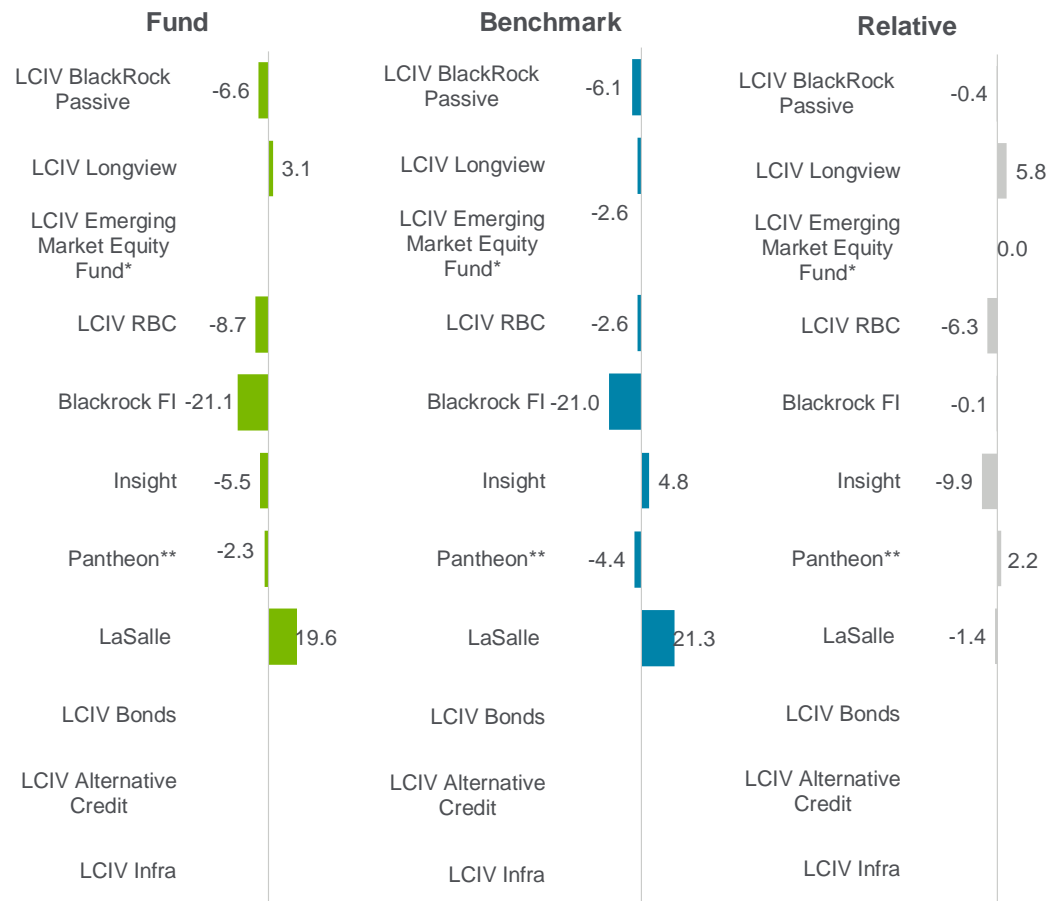
***We have labelled as "Buy" as we rate the team, philosophy, process and risk framework that RBC adopt although the specific fund utilised by the CIV differ slightly to the mainstream product.

Manager performance dashboard

Quarterly



12 months



129

Fund and Benchmark Performance Source: PIRC

Relative performance calculated by Aon using an arithmetic methodology

*The Fund fully invested in the London CIV EM Fund in July 2022 using proceeds from the GMO EM fund and performance will be shown from Q3 2022 onwards.

**Pantheon performance uses the previous quarter value adjusted for cash flow in the month

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Harrow Pension Fund

Quarterly Performance Summary

Periods to end June 2022



Performance Overview

Fund Performance

	Quarter	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Fund	-8.1	-6.8	2.9	4.1
Benchmark	-7.4	-5.7	4.7	5.9
Relative	-0.8	-1.2	-1.8	-1.7

Manager Performance

	Latest Quarter			1 Year			3 Years (% p.a.)		
	Portfolio	BM	Relative	Portfolio	BM	Relative	Portfolio	BM	Relative
ESG view	-4.9	-9.1	4.6	3.1	-2.6	5.8	7.6	8.7	-1.0
Passive Equity	-10.7	-10.2	-0.6	-6.6	-6.1	-0.4	7.2	7.1	0.1
RBC	-8.8	-9.1	0.4	-8.7	-2.6	-6.3			
Pantheon*	3.7	-9.1	14.1	-2.3	-4.4	2.2	12.4	8.1	4.0
LaSalle	3.7	3.7	0.0	19.6	21.3	-1.4	5.5	8.8	-3.0
BlackRock	-17.6	-17.2	-0.5	-21.1	-21.0	-0.1	-3.6	-4.3	0.7
LCIV Bonds	-7.7	-6.6	-1.1						
Alternative Credit	-8.0	1.3	-9.2						
Insight	-5.9	1.3	-7.1	-5.5	4.8	-9.9	1.1	4.4	-3.1
Renewable Infra	0.0	1.3	-1.3						
Infrastructure	7.4	1.3	6.0						

*The Pantheon performance uses the previous quarter value adjusted for cash flows in the month. As a long term investment the longer term results are the key indicators for this portfolio.

The Fund partially disinvested from GMO EM Fund during the Quarter, investing instead in the London CIV EM Fund. As both Fund returns are part period they are not shown in this table this Quarter.



Asset Allocation

	Start Quarter		End Quarter		% Strategic Allocation
	GBP'000s	%	GBP'000s	%	
Equity	537,720	53	482,993	52	50
Longview	127,495	13	121,282	13	10
BlackRock	269,113	26	241,501	26	24
GMO	71,839	7	6,856	1	0
LCIV Emerging	0	0	62,393	7	8
RBC	73,314	7	66,897	7	8
3rd Currency	-4,041	0	-15,936	-2	
Diversifying Assets	213,386	21	208,994	23	25
Insight	93,776	9	83,304	9	5.5
LaSalle	71,330	7	73,515	8	6
Renewable Infrastructure	13,833	1	12,111	1	5
Infrastructure	29,076	3	34,846	4	7.5
Pantheon	5,371	1	5,218	1	1
Risk Control Assets	239,138	24	211,832	23	25
BlackRock	88,545	9	73,176	8	10
LCIV Bonds	46,816	5	43,242	5	5
LCIV MAC	0	0	0	0	0
LCIV Alternative Credit	103,777	10	95,414	10	10
Cash	25,608	3	25,039	3	0
Total Fund	1,015,852	100	928,858	100	100



Latest Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	3.1	-2.6	5.8	0.7
BlackRock	-6.6	-6.1	-0.4	-0.1
RBC	-8.7	-2.6	-6.3	-0.5
GMO				
EM				
Diversifying Assets				
Insight	-5.5	4.8	-9.9	-0.9
LaSalle	19.6	19.3	0.2	-0.1
Renewable Infrastructure				
Infrastructure				
Pantheon	-2.3	-4.4	2.2	0.0
Risk Control Assets				
BlackRock	-21.1	-21.0	-0.1	0.0
LCIV Bonds				
LCIV Alternative Credit				
Total Fund	-6.8	-5.7	-1.2	

Manager contribution is the impact of each portfolio on the overall Fund relative performance.

Only portfolios invested for the full period are shown in these tables.

All portfolios, including newly invested and legacy, will impact the overall performance.



Last 3 Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	7.6	8.7	-1.0	-0.1
BlackRock	7.2	7.1	0.1	0.0
RBC				
GMO				
EM				
Diversifying Assets				
Insight	1.1	4.4	-3.1	-0.2
LaSalle	5.5	8.0	-2.3	-0.2
Renewable Infrastructure				
Infrastructure				
Pantheon	12.4	8.1	4.0	0.0
Risk Control Assets				
BlackRock	-3.6	-4.3	0.7	0.1
LCIV Bonds				
LCIV Alternative Credit				
Total Fund	2.9	4.7	-1.8	

Manager contribution is the impact of each portfolio on the overall Fund relative performance. Only portfolios invested for the full period are shown in these tables.

All portfolios, including newly invested and legacy, will impact the overall performance.



Last 5 Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	8.9	9.3	-0.3	0.0
BlackRock	8.1	8.1	0.0	0.0
RBC				
GMO				
136' EM				
Diversifying Assets				
Insight	2.2	4.4	-2.0	-0.2
LaSalle	5.3	7.4	-1.9	-0.2
Renewable Infrastructure				
Infrastructure				
Pantheon	11.3	8.8	2.3	0.1
Risk Control Assets				
BlackRock	-0.2	-0.7	0.5	0.1
LCIV Bonds				
LCIV Alternative Credit				
Total Fund	4.1	5.9	-1.7	

Manager contribution is the impact of each portfolio on the overall Fund relative performance.

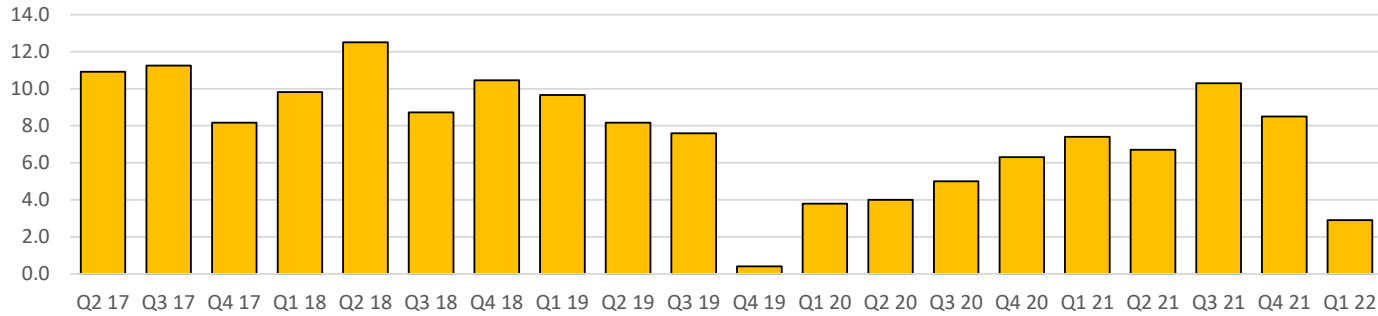
Only portfolios invested for the full period are shown in these tables.

All portfolios, including newly invested and legacy, will impact the overall performance.



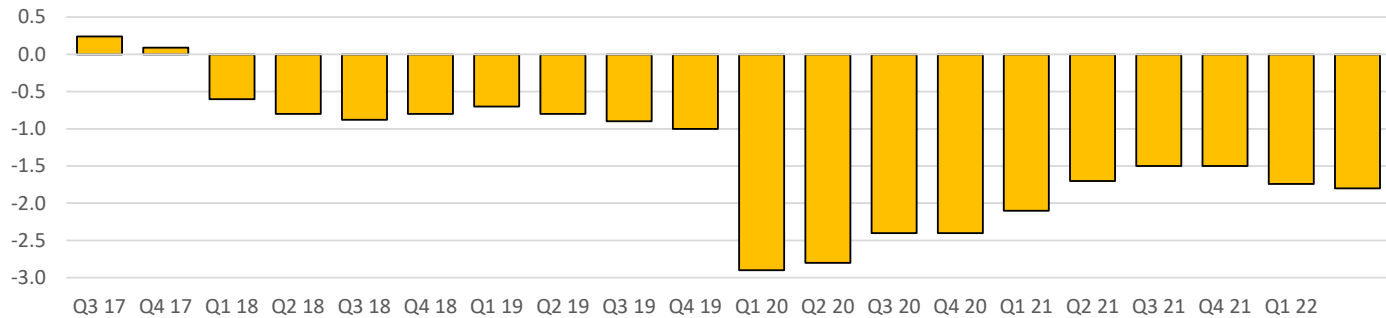
Rolling Three Year Returns

Rolling Three Year Returns (%p.a.)



137 Fund has produced a positive return over all three year periods.
These returns are consistently ahead of inflation but declining in recent periods.

Rolling Three Year Relative Returns (% p.a.)



The Fund performed within a tight range of its Benchmark - within +/- 2% until Q1 2020.
The relative result remains well behind the Benchmark.



Benchmark Allocation

%	To 31/12/2017	From 1/1/2018	From 1/4/2019	From 1/7/2021
Equity	62	50	50	50
Global Passive	31	24	24	24
Developed Active	21	18	18	18
Emerging Markets Active	10	8	8	8
Risk Control	13	13	24	25
UK Corporate Bonds	10.4	10	10	5
Credit			11	10
Index Linked Gilts	2.6	3	3	5
Global Bonds				5
Diversifying Assets	25	37	26	25
Diversified Growth	10	22	6.5	5.5
Renewables				5
Infrastructure			7.5	7.5
Property	10	10	10	6
Private Equity	5	5	2	1



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Fund Valuation and Performance

March 2022 to March 2023

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

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**Report for: Pension Fund
Committee**

Date of Meeting:	12 October 2022
Subject:	Review of Investment Managers' Internal Control Reports
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	Public with Exempt Appendix 1 - Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	None
Enclosures:	Exempt Appendix 1 – Review of Internal Controls at Investment Managers

Section 1 – Summary and Recommendations

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

Recommendations:

The Committee is recommended to note the report.

Section 2 – Report

1. Operational controls of investment managers relate to the procedures in place to safeguard the Fund’s assets against loss through error or fraud and to ensure that client reporting is accurate. Poor operational controls can also hamper the management of the assets leading to reduced returns or increased costs. Should there be a lack of evidence that controls operated by investment managers are robust the continued appointment of the manager would be questionable.
2. Each of The Fund’s investment managers prepares an annual report having regard to the International Standard on Assurance Engagements 3402 (ISAE 3402), issued by the International Auditing and Assurance Standards Board, the Technical Release AAF 01/06 (AAF 01/06), issued by the Institute of Chartered Accounts in England and Wales and the control objectives for their services and information technology.
3. Under these protocols the directors/partners of each manager prepare a report focussing on key environmental, business and process issues and make commitments along the following lines:
 - the report describes fairly the control procedures that relate to their stated control objectives;
 - the control procedures are suitably designed such that there is reasonable assurance that the specified control objectives would be achieved if the described control procedures were complied with satisfactorily; and
 - The control procedures described were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the period specified
4. Each of the managers has engaged a leading firm of auditors to report on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives.
5. A summary of the findings from the most recent reviews is provided in Appendix 1. The reports and management responses indicate that each of the fund managers demonstrates appropriate levels of controls, and that where exceptions have been identified via testing, appropriate action has been taken to resolve the issue. Where the date of the most recent report is earlier than 31 March 2022, “bridging letters” have been provided by the managers confirming that the control environment was unchanged in the subsequent part of the year.
6. The key points from the findings in respect of the Fund’s managers are as follows:

BlackRock Inc.

The audit, carried out by Deloitte and Touche LLP, covers the year to 30 September 2021, indicates that controls are operating effectively and that

no exceptions have been identified. A bridging letter has been provided covering the period from 1 October 2021 to 31 March 2022.

Insight Investment

The audit, carried out by KPMG LLP, covering the period to 30 September 2021, indicates that controls are operating effectively and provided reasonable assurance. No exceptions were identified. A bridging letter has been provided covering the period from 1 October 2021 to 31 March 2022.

Record Currency Management Ltd

The last report received, covering the audit of the year to 31 March 2022, carried out by RSM Risk Assurance Services LLP, indicated that controls were operating effectively and provided reasonable assurance.

GMO

The audit, carried out by PWC LLP, covering the year to 30 September 2021, indicates that controls are operating effectively and that an appropriate response was provided to all exceptions, enabling confirmation that the audit provided reasonable assurance. A bridging letter has been provided covering the period from 1 October 2021 to 31 March 2022.

LaSalle

The audit report, carried out by Deloitte LLP, covering the year to 31 December 2021, indicates that controls are operating effectively and that an appropriate response was provided in respect of all exceptions identified, enabling confirmation that the audit provided reasonable assurance.. A bridging letter has been provided covering the period from 1 January 2022 to 31 March 2022.

Pantheon

The audit, carried out by KPMG LLP, covering the year to 30 September 2021, indicates that controls are operating effectively and that an appropriate response was provided to all exceptions, enabling confirmation that the audit provided reasonable assurance. A bridging letter has been provided covering the period from 1 October 2021 to 31 March 2022.

London CIV

LCIV have provided a control oversight report – this sets out how LCIV reviews the control frameworks put in place by the underlying asset managers, including its process for reviewing internal control assurance reports and discussing any exceptions highlighted with the managers. The report also covers the operational arrangements of LCIV's custody services provider (Northern Trust) and its own internal control and governance framework.

In regard to the various sub-funds in which the LBH Pension Fund, is invested, the various auditors provided assurances that controls were operating correctly, and where exceptions had been identified that the response from management had been satisfactory.

Legal Implications

7. There are no direct legal implications arising from this report.
8. The Pension Fund Committee has the following powers and duties:
 - i. 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;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
 - iv. to establish a strategy for the disposition of the pension investment portfolio; and
 - v. to appoint and determine the investment managers' delegation of powers of management of the fund;
 - vi. 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 Regulations 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;
 - vii. to apply the arrangements set out in (vi) 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.

Financial Implications

9. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Risk Management Implications

10. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review was carried out at the 9th March meeting of the Committee.
11. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 01/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 31/08/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 01/09/2022

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone 020 8736 6552

Background Papers: None

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