LONDON BOROUGH OF HARROW

Pension Fund Committee Agenda

Date: Tuesday 19 September 2023

Time: 6.30 pm

Venue: The Auditorium - Harrow Council Hub, Kenmore Avenue, Harrow, HA3 8LU

Membership (Quorum 3 Councillors)

Chair:	**Councillor David Ashton**
Conservative Councillors:	**Norman Stevenson**
Labour Councillors:	**Jerry Miles** **Nitin Parekh (VC)**
Non-Voting Co-optee:	To be appointed
Trade Union Observer(s):	Mr J Royle – 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. Asif Hussain 2. Natasha Proctor

Contact: **Mwim Chellah, Senior Democratic and Electoral Services Officer**
E-mail: Mwimanji.Chellah@harrow.gov.uk

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Useful Information

Joining the Meeting virtually

The meeting is open to the public and can be viewed online at London Borough of Harrow webcasts

Attending the Meeting in person

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

Please:

(1) Stay seated.
(2) Access the meeting agenda online at Browse meetings - Pension Fund Committee
(3) Put mobile devices on silent.
(4) Follow instructions of the Security Officers.
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Agenda publication date: Monday 11 September 2023

Agenda - Part I

1. **Attendance by Reserve Members**
   To note the attendance at this meeting of any duly appointed Reserve Members.

2. **Declarations of Interest**
   To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from all Members present.

3. **Minutes** (Pages 7 - 16)
   That the minutes of the meeting held on 31 July 2023 be taken as read and signed as a correct record.

4. **Public Questions**
   To note any public questions received.

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

   [The deadline for receipt of public questions is 3.00 pm, 13 September 2023. Questions should be sent to publicquestions@harrow.gov.uk

   No person may submit more than one question].

5. **Petitions**
   To receive petitions (if any) submitted by members of the public/Councillors.

6. **Deputations**
   To receive deputations (if any).

7. **Investments & Managers Performance Review** (Pages 17 - 42)

8. **Draft Pension Fund Annual Report 2022/23** (Pages 43 - 100)

9. **Quarterly LGPS Update and Harrow Pension Administration Update with Key Performances** (Pages 101 - 112)

10. **LCIV and Investment Pooling Quarterly Update** (Pages 113 - 118)

11. **Any Other Urgent Business**
    Which cannot otherwise be dealt with.

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Agenda - Part II

13. **Exclusion of the Press Public** (Pages 119 - 144)

    To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that the item is 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.

Agenda Item No	Title	Description of Exempt Information
13	Investments & Managers Performance Review	Information relating to the financial or business affairs of any particular person (including the authority holding that information).

14. **Exclusion of the Press Public** (Pages 145 - 310)

To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that the item is 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.

Agenda Item No	Title	Description of Exempt Information
14	LCIV and Investment Pooling Quarterly Update	Information relating to the financial or business affairs of any particular person (including the authority holding that information).

15. **Exclusion of the Press Public** (Pages 311 - 346)

To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that the item is 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.

Agenda Item No	Title	Description of Exempt Information
15	Investment Strategy Implementation	Information relating to the financial or business affairs of any particular person (including the authority holding that information).

[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.]

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LONDON BOROUGH OF HARROW

Pension Fund Committee Moved from 21 June 2023

Minutes

31 July 2023

Present:

Chair:	Councillor David Ashton	
Councillors:	Jerry Miles	Nitin Parekh
Independent Advisers:	Mr C Robertson Honorary Alderman R Romain	
Apologies received:	Councillor Norman Stevenson	Portfolio Holder for Business, Employment & Property
Absent:	Pamela Belgrave John Royle	GMB UNISON

1. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance.

Colin Cartwright of Aon informed the meeting that his colleague, Max Meikle, had resigned from Aon. The Chair asked for the Committee's thanks for his contributions to the Committee to be passed on along with best wishes for his future endeavours.

2. Declarations of Interest

RESOLVED: To note that no declaration of interests were made at the meeting.

3. Appointment of Vice-Chair

RESOLVED: Councillor Nitin Parekh be appointed Vice-Chair of the Committee for the 2023/24 Municipal Year.

4. Minutes

That the minutes of the meeting held on 29 March 2023, be taken as read and signed as a correct record.

5. Public Questions

RESOLVED: To note that no Public Questions were received.

6. Petitions

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

7. Deputations

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

8. Performance Update on Regular Items

Members received an introduction to the report of the Director of Finance and Assurance which gave the following highlights.

As at 31 March 2023, the overall value of the fund had increased by £27m to £955m over the quarter. The fund underperformed the benchmark by 0.5% over the quarter, returning 2.8% against the benchmark return of 3.4%. For the 12 months to end of March, the fund underperformed the benchmark by 0.4 %, reducing the value of the fund over the year by £63m. By the end of June, despite the volatility experienced in markets, the fund value had appreciated to £969m.

An officer informed the Committee that the Pension Board had reviewed the risk register and governance compliance statement at their last meeting. Officers had hoped that the Annual Report and Accounts for 2021-22 could be concluded in July, but issues were raised following the triennial valuation as the auditor's test of the membership data had highlighted issues with 3 out of a random sample of 14 accounting items.

The officer said that the results of the McCloud and Pooling Consultations had been received and the Committee would be updated via a briefing note in future on what further actions were being taken by other funds.

Members asked the following questions:

The Chair expressed concerns that 3 out of 14 represented a high percentage of the sample and asked if the Acting Director of Finance was aware of the situation and how it would be resolved. The officer gave further explanations and confirmed that the Acting Director of Finance had been informed. Mazars had advised that the valuation should be rerun but the Fund's Actuary was of the view that the same issue was being experienced by other funds and could be sorted out by the accounting department. Officers were awaiting further updates from the Fund's actuary. The Chair requested that the Members of the Committee and Advisers be updated on the situation as this was unsatisfactory.

The Chair asked the Aon representative why inflation was shown at 3.6% in Aon's report. The Aon representative explained that this was a 20 year long term inflation rate estimate and was forward-looking and derived from financial market data.

A Member asked if the members of the pension fund were given any valuation information along with their P60. The officer was uncertain and said that she had suggested to the Pension Board that an Annual General Meeting (AGM) could be scheduled online, and members of the fund could be given an update on the value of the fund on that occasion.

The Chair asked the Aon representative for his view on the PIRC ranking on page 36 of the agenda. The Aon representative said that while it was very disappointing, what was more important was how the fund performed versus the strategic benchmark. This defined what the Committee was trying to achieve in the longer term. Over shorter periods of time, performance versus the peer group could be very different, depending on how similar other funds' strategic benchmarks were..

He was of the view that at a high level the Fund was doing well in as much as the funding level was healthy and so in that regard, the Fund was in a good place. However, there were areas that needed addressing, in particular the delay in tackling the issue of underperforming managers which had been a very significant cause of underperformance in the past. Implementing the strategy changes discussed at the training session a few weeks ago should also help future performance. The Chair commented that it could have been better and the Aon representative agreed.

An Independent Adviser commented that the PIRC sample size had reduced again from 63 to 45 and was becoming less representative of the Local Government Pension Scheme (LGPS) which consisted of over 80 funds in England. He was concerned that PIRC's increasingly small percentage representation would become self-fulfilling and would not recover. The Aon representative agreed and said that the relative ranking was less important to people as they tended to compare how they were doing versus their own strategic benchmark and that was one reason why fewer funds were participating in the PIRC survey . He added that as more of the underlying funds were moved to the London CIV and other pools, measuring the performance of the underlying fund managers would become less relevant for the LGPS funds and more relevant for the pools.

An Independent Adviser commented on his previously raised concerns about inaccuracies in PIRC's headline numbers and analysis and suggested that he could resend the information to the officer. The officer explained that Northern Trust had been approached to provide performance measurement services for the Fund and depending on the Council's procurement process, that could commence within six months.

The Chair asked about what was being done regarding peer group performance measurement. The Officer explained that alternatives were being explored. The alternatives may not be able to provide ranking information, but the annual ranking information could be obtained from PIRC as the fund's subscription would be maintained.

On the Committee's Work Programme, the officer explained that depending on the response from the Fund's Actuary, in addition to already scheduled reports, the Annual Report may be presented at the meeting of the Committee in September but if it was still not concluded by then, it would be on the agenda for the meeting in November.

An Independent Adviser asked why the usual training session before the meeting had not been organised. The officer responded that the previous Interim Pensions Manager had felt that it was not required on this occasion but she would ensure they were scheduled for every meeting going forwards.

A discussion on the organisation of a Meet the Manager's Day (MDD) in October ensued. It was agreed that session topics and invitees to the MDD would be agreed at the end of the meeting and potential dates would be circulated to Members of the Committee thereafter.

Mansion House Speech

The Aon representative gave an update on the highlights of the Chancellor of the Exchequer's Speech at the Mansion House Dinner and on the consultation areas outlined by the Department of Levelling up, Housing and Communities. (DLUHC).

The Chancellor had focussed on:

- the consolidation of pension schemes as there were too many small schemes and the consolidation of these schemes to form bigger pension schemes would result in better member outcomes.
- the acceleration and expansion of pooling within LGPS. All assets were to be invested into the pools by 2025 (especially liquid assets) and the minimum value of each investment pool should be £50bn. Currently 2

out of the 8 pools (London CIV and Wales) would be unable to achieve this threshold).

- The issues involved in bringing passive funds managed outside the pools into the pools was raised. This is relevant for the Fund's passive investments managed by BlackRock.
- Funds were expected to invest 5% of their assets in supporting UK levelling up. A detailed plan to achieve this should be set out. In the case of the London CIV, this could include investing in the London Fund.
- Funds were also expected to invest in venture capital type assets and exploration of partnerships with British Investment Bank were encouraged.

A Member asked if the expectation to have all funds including passive funds in pools by 2025 would affect the committee's decisions in the short term. The Aon representative said it would as from a governance perspective the Committee would have to decide what to do with existing managers outside of the London CIV, taking into account whether suitable alternative managers were likely to be available on the London CIV.

An Independent Adviser commented on the Mansion House speech, including pointing out that the proposals ignored the fact that UK pension funds generally invested in asset classes such as venture capital on a global, not a UK, basis. It was agreed that he would share the commentary he had written on the speech with Members.

The consultation which would conclude on 2 October 2023, would cover the following five areas:

- Acceleration and expansion of pooling - all assets into the pools by 2025 and each investment pool to be £50bn+ which would very likely mean pool consolidation;
- Expectation for funds to have a plan to invest up to 5% of assets to support UK levelling up;
- Increase investments in unlisted equity - looking for a 10% allocation to private equity from LGPS funds;
- Amendments to LGPS regulations around the use of investment consultants - officially implementing CMA requirements on investment consultants; and
- Technical change to definition of investments within LGPS regulations

RESOLVED: That

1. The performance management report be noted.

2. The draft work programme for the remainder of 2023-24 be approved subject to the following amendments:

    - The inclusion of a Meet the Manager Day in October 2023.

- The inclusion of a training session for Members before each committee meeting.

3. Members discussed if the Fund should respond to the consultation. It was agreed that the officer would circulate relevant consultation responses to Members.

9. Review of Pension Fund Governance Compliance Statement

Members received a brief introduction to the report of the Director of Finance and Assurance. This report reviewed the Pension Fund's Governance Compliance Statement.

The officer informed Members that the document was last reviewed by the Committee on 19 September 2022 and by the Pension Board on 12 July 2023. The Pension Board had asked that the report be amended to reflect that the Board had no delegated functions from the Council but from The Pension Regulator (TPR).

The officer explained that the appointment of the UNISON Trade Union Observer and forthcoming appointment of the Trade Union Observer from GMB would make the Committee fully compliant in regards to point (b) of Principle A – Structure on page 55 of the Agenda which required that representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) be appointed as members of either the main or a secondary committee established to underpin the work of the main committee.

An Independent Advisor pointed out that there was no co-optee and that the investment adviser and the independent investment advisers were not Members of the Committee. This was agreed and the text on page 51 of the agenda should be changed accordingly.

RESOLVED that:

1. The latest position on the LGPS Good Governance Review be noted.

2. The updated Governance Compliance Statement be approved for adoption subject to the following amendments:

   - The amendment of "Chief Executive" to "Managing Director" and the delegation of functions 6 and 7 on page 52 of the agenda to the Director of Finance and Assurance.
   - The Membership structure of the Committee on page 51 of the agenda to be changed to exclude a co-optee, the Investment Adviser and the Independent Investment Advisers.

10. Review of Pension Fund Risk Register

Members received a brief introduction to the report of the Director of Finance and Assurance. The report set out the updated Pension Fund Risk Register for Members to review and comment accordingly.

The Chair asked what the significant changes from the last risk register report were. The officer explained that she would circulate this information after the meeting. The Chair asked that the report be presented again together with this information at the next meeting of the Committee.

The officer informed the committee that she would also update the register to reflect the comments of the Pension Board that cyber risk should be included in the risk register.

An Independent Advisor asked what actions would be taken to address the fact that liquidity risk had increased as stated on page 72 of the agenda now that the Fund was slightly cash flow negative and was more negative than in April 2023. The officer explained that there was no imminent risk as the Fund had over £11m in its cash account which was sufficient and furthermore liquidity needs had been taken into account in determining investment strategy, This topic would also be discussed in part II of the meeting. The Aon representative explained that even though cashflow was negative, enough operational cash was available from liquid assets if needed. He said the proposed investment strategy was based on it being worthwhile to increase the Fund's illiquid assets as they had a higher return potential.

The other Independent Adviser suggested that as all the Fund's London CIV assets were non distributing, it might be good to make one or two of them distributing assets to improve liquidity and this should be raised with the London CIV. It was agreed that this should be an action point.

RESOLVED that:

1. the report be noted and risk register be noted.

2. That a further report be brought back to the next meeting of the Committee detailing any significant changes between the previous and updated Risk Register.

3. The London CIV should be approached with regard to distributing assets.

11. Any Other Urgent Business

Appointment of Trade Union Observer

RESOLVED: That Mr John Royle be appointed as the UNISON Trade Union Observer for the 2023/24 Municipal Year.

12. 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
13.	Performance Dashboard and Update on Regular Items - Appendices 3 & 4	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information).
14.	Review of Investment Strategy	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information).

13. Performance Update on Regular Items

The Committee received confidential appendices to the Performance Dashboard and Update on Regular Items report. An Independent Adviser, Aon Representative and the officer undertook to answer questions raised during the discussion.

Members agreed the details and attendees for the Meet the Manager Day in October. The officer undertook to arrange the details and invite the agreed fund managers.

(See also Minute 52).

14. Review of Investment Strategy

The Committee received a report on the Review of Investment Strategy from the Investment Adviser. The Investment Adviser answered questions from Members.

RESOLVED: The Committee is recommended to consider the report and:

I. approved 5% allocation of the Fund assets to Private Debt and reduction of Multi Asset Credits (MAC) allocation by 5%, delegating authority to Section 151 Officer following consultation with the Chair of the Pension Fund Committee to implement the agreed actions;

II. approved reduction in the Diversified Growth Fund (DGF) by 3% and the proceeds to be use as a source of funding of illiquid assets, delegating authority to Section 151 Officer following consultation with the Chair of the Pension Fund Committee to implement the agreed actions;

III. the Section 151 Officer to engage the Fund Investment Consultant (Aon) to determine possible alternatives to the current Diversified Growth Fund (DGF) and the identified alternatives to be submitted at the next Committee meeting.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.30 pm).

(Signed) Councillor David Ashton
Chair

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LONDON BOROUGH OF HARROW

REPORT FOR:	**Pension Fund Committee**
Date of Meeting:	19 September 2023
Subject:	Investments & Managers Performance Review
Responsible Officer:	Sharon Daniels – Acting 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:	List Ward(s) affected by decision. **None**
Enclosures:	Appendix 1: Investment Dashboard as at 30 June 2023 (Aon) Appendix 2: PIRC Local Authority Pension Performance Indicators to 30 June 2023 (Exempt) Appendix 3 - Executive Summary of Manager Monitoring Report (Aon) (Exempt) Appendix 4 - Report from Independent Advisor Appendix 5a & 5b – Fund Valuation as at 30 June 2023 & 31 August 2023

Section 1 – Summary and Recommendations

This report updates the Committee on regular items as follows:

- Draft work programme for the remainder of 2023-24 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 30 June 2023 and 31st August 2023
- Update on Audit of Annual Report and Accounts for 2021-22

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 2023-24.

Section 2 – Report

A. Introduction

1. This report updates the Committee on regular items as follows:
    - Draft work programme for 2023-24 (Sub-section B)
    - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
    - Fund Performance and actions for periods ended 30 June 2023 (Sub-section D and Appendix 5)
    - Issues raised by Pension Board (Sub-section E)
    - Audit of 2021-22 Annual Report and Accounts (Sub-section F)
    - Other matters

B. Draft Work Programme 2023-24

2. The dates set for future meetings of the Committee in the 2023-24 were approved by the Council on 18 May 2023.

3. The outline work programme reported to the Committee in March 2023 has been updated – the following items are currently expected to be reported to the Committee's quarterly meetings

Meeting	Item
All Meetings	Regular Items update - Work Programme - Pension Board Items - Performance - Fund valuation / Dashboard - Manager Monitoring
19 September 2023	Draft PF Annual report 2022-23

	Review of Internal Controls at Investment Managers
	LCIV and Investment Pooling Update
	Investment Strategy Review
21 November 2023	Outcome of Audit of Accounts for 2021-22
	Actuarial Services Contract – outcome of tender process
	External Audit Plan for 2022-23
	Review of Pension Fund Risk Register
	Investment Strategy Review
12 March 2024	Investment Strategy Review
	LCIV and Investment Pooling Update
	Investment Consultancy Services Contract – outcome of tender process
	Climate Change Reporting Update
Items to be scheduled when information is available	
	Consultation on Investment Pooling
	Outcome of TCFD Consultation
	External Audit Report on 2022-23 Accounts

4. All 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 the training sessions and meetings 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.

6. In addition to the “regular” quarterly meetings, the Committee may wish to schedule other (informal) sessions for specific reasons – e.g., in 2022 the Committee had sessions covering Responsible Investment and to identify a replacement Emerging Markets Equity Manager, and in Investment strategy session was held in May 2023. The Committee may also wish to consider whether it wishes to have a “manager review day” this year.

C. Summary Performance Dashboard for Period Ended 30 June 2023

7. 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.

8. The investment dashboard shows the Pension Fund’s estimated Investment Funding Level of 122.5% as at 30 June 2023 and the fund assets (£975m) and liabilities (£796m). This estimate of liabilities is a rolled forward projection based on the 2022 actuarial valuation, the final results of which were reported to the Committee at its meeting on 29 March 2023.

9. The estimated funding level has improved since the 2022 valuation. This is driven by the fact that the expected return (discount rate) has increased materially since the valuation largely driven by increasing interest rate expectations. This has reduced the liabilities substantially. The assets have held up well over what has been a volatile period in financial markets and their values have not dropped to the same extend as the liabilities – hence the increased funding level. This update is at a single point in time, during a period of volatility in markets. Further market movements will lead to further fluctuations in funding level – the recent additional increases in interest rates are likely to have increased the funding level further.

10. It should be noted that the 122.5% 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. No de-risking actions are recommended at the current time.

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%) and a summary of manager performance and manager rating. The Strategic Benchmark allocation to assets pooled or counted as being pooled is 82.5%. The commitments which are yet to be drawn down in respect of the LCIV Infrastructure and LCIV Renewables Infrastructure Funds account for most of the gap.

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 Fund has underperformed against its benchmark in the second quarter of 2023, and for all longer timeframes performance was also below the fund benchmark.

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 2023 and subsequent activity

14. **Appendix 5a** sets out the change in the market value of the Fund's investments from 30th June 2022 to 30th June 2023. 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 2023 rose to £978m in the quarter from £969m (at 31st March 2023).

15. The value of equities increased during the quarter by some £6.3m and the value of bonds reduced during the quarter by some £3.4m. Global equities performed well again this quarter. The MSCI Index gained 3.9% in Sterling terms during the period, boosting the gain over 6 months to 8.9%, and the one year return to 13.2%.

16. Artificial Intelligence (“AI”) was the dominant theme in the equity markets. Leadership here was concentrated in a small number of companies which are expected to be big winners as the use of AI applications expands. This left most of the rest of the market grappling with slower growth, higher funding costs and the implications of the rapid slowdown in China on demand for everything from luxury goods to industrial commodities. Returns from equities have varied in a wide range across investing styles, sectors and geographies.

17. Emerging markets companies have not joined the party, in large part because the Chinese economy has stuttered. The MSCI Emerging Markets Index has lost 2.8% over one year and is lagging the MSCI World Index by more than 15%.

18. Fears of un-anchored UK inflation have pushed up expectations for further rate hikes. However, there could become a point where higher interest rates could reach a level where they shift from being supportive for the British pound (GBP) to a negative.

E. Meetings of Pension Board

19. At each meeting, the Board considers reports on
    - Pensions Administration Performance, which include legislation updates and the work of the Scheme Advisory Board,
    - Matters considered by this Committee,
    - Its future work programme.

20. In addition, at its meeting on 12 July 2023 the Board considered reports on the following subjects
    - Review of the Pension Fund Risk Register
    - Pension Fund Governance Compliance Statement

    These items appear elsewhere on the agenda for this meeting – the Board’s comments on these items will be circulated as late material.
    The Board also approved the annual report on its work for the 2022-23 municipal year to be submitted to the Council in September 2023.

21. The dates of the Board’s meetings for the remainder of 2023-24 are as follows
    - 30 October 2023
    - 11 December 2023
    - 19 March 2024.

F. Annual Report and Accounts 2021-22 – Update on Progress of Audit

22. At its October 2022 meeting the Committee reviewed the Fund's draft Annual Report and Accounts for 2021-22. The audit of these is being carried out by Mazars. This audit is largely complete – there have been no material changes to the draft accounts presented to the Committee in October 2022, and only a small number of presentational and disclosure changes to some of the Notes to the accounts. However, as previously reported, the audit cannot be completed until the audit of the Council's own accounts is finalised – the reason for this is that the auditor is required to confirm that the Pension Fund Annual Report and Accounts align with the Council's main accounts, and there are some technical issues involving valuation of certain types of assets being worked through in respect of the Council's accounts.

23. A further consequence of the delay, is that for the 2021-22 draft accounts, as would normally be expected, the calculations of pension liabilities (IAS26 for the Pension Fund, IAS19 for the position of LBH as an employer in the Council's main accounts) were made using a "roll forward" from the 2019 triennial valuation data. The delay in the audit process means that the 2022 Triennial Valuation results have been published before the 2021-22 accounts are signed off, hence the IAS26 and IAS19 calculations at 31 March 2022 have been updated to use the 2022 triennial valuation data. The size of the total liability is such that any variation, even a small one, will breach the accounting materiality threshold, hence the auditors are obtaining assurance regarding the data submitted by LBH to be used in those calculations. This is creating a further delay in the process. However, the Committee should be aware that this is a national issue, and a significant number of other LGPS funds and administering authorities are experiencing similar issues. The Auditors reported to the Governance, Audit, Risk Management and Standards Committee at their July 2023 meeting confirming expectations of committee members that they need more time to complete the audit work.

24. The auditors, Mazars, are aware that this Committee wishes them to present their report on the outcome of the audit – this is scheduled for the Committee's next meeting on 21 November 2023.

G. Other Matters – Government Consultations affecting the LGPS

25. At the annual Mansion House dinner, during his speech the chancellor announced reforms for the LGPS in England and Wales, covering asset pooling, levelling up and opportunities in private equity. Following this, the next day, the Department for Levelling Up Housing and Communities (DLUHC), published a consultation on the areas the chancellor highlighted in his speech. Please see the link below for the consultation:
[Local Government Pension Scheme (England and Wales): Next steps on investments - GOV.UK (www.gov.uk)]

26. Primarily the consultation covers five areas:
    i. Acceleration and expansion of pooling - all assets into the pools by 2025 and each investment pool to be £50bn+ which could mean pool consolidation.
    ii. Expectation for funds to invest up to 5% of assets, supporting UK levelling up

iii. Increase investments in unlisted equity - looking for a 10% allocation to private equity
iv. Amendments to LGPS regulations around the use of investment consultants - Officially implementing CMA requirements on investment consultants
v. Technical changes to definition of investments within LGPS regulations

27. This consultation closes at 11:59pm on 2 October 2023.

Legal Implications

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

29. 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.

Financial Implications

30. 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

31. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**

32. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review appears elsewhere on this agenda.

33. 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

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 7th September 2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 7th September 2023

Chief Officer: Sharon Daniels
Signed on behalf of the Chief Executive
Date: 7th September 2023

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Bola Tobun – Treasury and Pensions Manager
Email: Bola.Tobun@harrow.gov.uk
Telephone 020 8420 9264

Background Papers: None

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Investment Dashboard

Q2 2023

Prepared for: London Borough of Harrow Pension Fund
Prepared by: Aon
Date: 19 September 2023

Dashboard summary

Funding

122.5%

Source: Hymans Robertson Qtr ▲ 10.1%

Assets

£975m

Qtr ▲ £19m

Liabilities

£796m

Qtr ▼ £55m

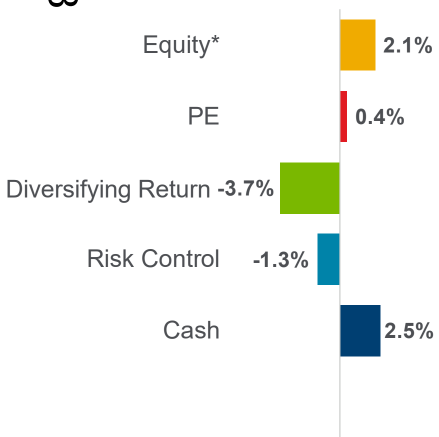
Yields

	06 June	3yr Market Pricing	5yr Market Pricing
Nominal	4.6%	▼ 4.5%	▼ 4.5%
Real	1.0%	▲ 1.1%	▲ 1.1%
Inflation	3.6%	▼ 3.4%	▼ 3.4%

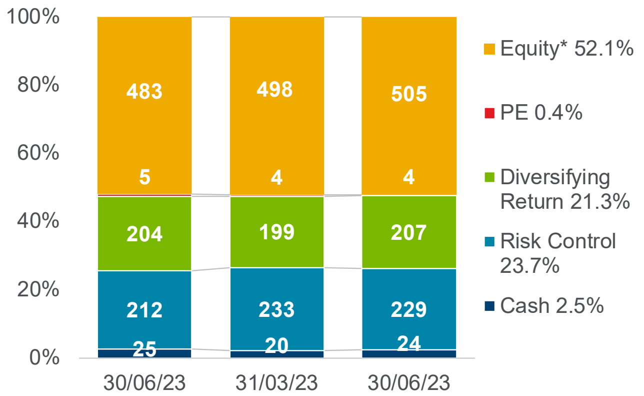
Source: Aon

Asset Allocation

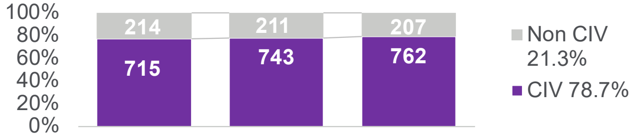
Relative to strategic



Absolute



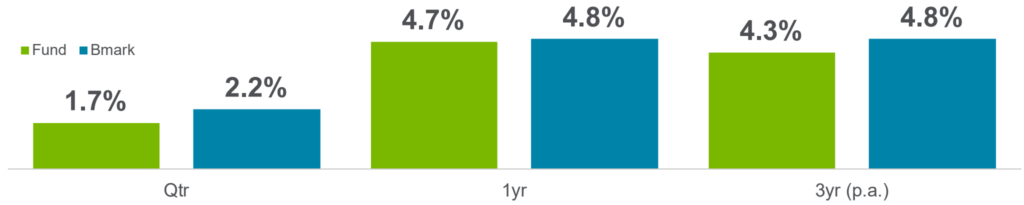
London CIV



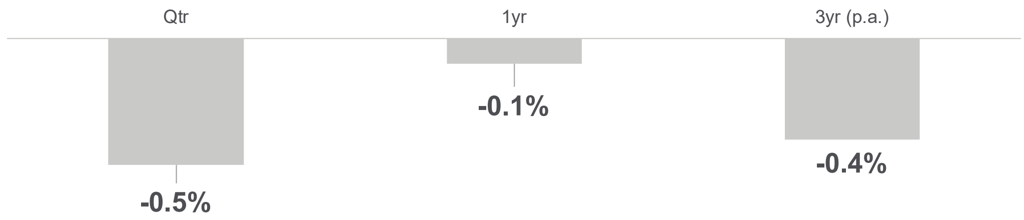
Source: London Borough of Harrow Pension Fund Officers

Performance

Absolute



Relative



Fund and Benchmark Performance Source: PIRC

Managers in Focus

Buy

- LCIV BlackRock Passive Equities
- LCIV Global Equity Focus Fund (Longview)
- LCIV Sustainable Global Equity (RBC)**
- LCIV Global Bond Fund
- 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.

*includes passive currency hedge

**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

	Fund	Benchmark	Relative
LCIV BlackRock Passive	4.1	4.0	0.1
LCIV Longview	4.5	3.9	0.6
LCIV Emerging Market Equity Fund	-2.6	-1.9	-0.8
LCIV RBC	-0.1	3.9	-3.8
Blackrock FI	-6.7	-6.2	-0.5
Insight	1.5	2.2	-0.7
Pantheon*	-4.7	3.9	-8.2
LaSalle	0.6	0.7	-0.1
LCIV Bonds	0.1	-0.2	0.3
LCIV Alternative Credit	3.1	2.2	0.9
LCIV Renewable Infra	2.7	2.2	0.5
LCIV Infra	-0.4	2.2	-2.6

12 months

	Fund	Benchmark	Relative
LCIV BlackRock Passive	11.1	9.9	1.1
LCIV Longview	16.2	13.2	2.7
LCIV Emerging Market Equity Fund			
LCIV RBC	1.1	13.2	-10.7
Blackrock FI	-15.6	-15.2	-0.5
Insight	1.3	7.6	-5.9
Pantheon*	-8.1	13.2	-18.8
LaSalle	-16.1	-15.1	-1.2
LCIV Bonds	0.9	-0.1	1.0
LCIV Alternative Credit	6.2	7.8	-1.5
LCIV Renewable Infra	40.7	7.6	30.7
LCIV Infra			

Fund and Benchmark Performance Source: PIRC
Relative performance calculated by Aon using an arithmetic methodology
*Pantheon performance uses the previous quarter value adjusted for cash flow in the month

Aon plc (NYSE:AON) exists to shape decisions for the better - to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

AON

Harrow Pension Fund

Quarterly Performance Summary

Periods to end June 2023

PIRC

Performance Overview

Fund Performance

	Quarter	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Fund	**1.7**	**4.7**	**4.3**	**3.7**
Benchmark	2.2	4.8	4.8	5.2
Relative	-0.5	-0.1	-0.4	-1.4

Manager Performance

	Latest Quarter			1 Year			3 Years (% p.a.)		
	Portfolio	BM	*Relative*	Portfolio	BM	*Relative*	Portfolio	BM	*Relative*
Longview	**4.5**	3.9	0.6	**16.2**	13.2	2.7	**14.7**	11.1	3.2
Passive Equity	**4.1**	4.0	0.1	**11.1**	9.9	1.1	**9.1**	8.7	0.3
RBC	**-0.1**	3.9	-3.8	**1.1**	13.2	-10.7			
LCIV Emerging Mkts	**-2.6**	-1.9	-0.8						
Pantheon*	**-4.7**	3.9	-8.2	**-8.1**	13.2	-18.8	**8.6**	10.6	-1.8
LaSalle	**0.6**	0.7	-0.1	**-16.1**	-15.1	-1.2	**1.5**	2.9	-1.4
BlackRock	**-6.7**	-6.2	-0.5	**-15.6**	-15.2	-0.5	**-12.7**	-12.6	-0.1
LCIV Bonds	**0.1**	-0.2	0.3	**0.9**	-0.1	1.0			
Alternative Credit	**3.1**	2.2	0.9	**6.2**	7.8	-1.5			
Insight	**1.5**	2.2	-0.7	**1.3**	7.6	-5.9	**2.8**	5.5	-2.6
Renewable Infra	**2.7**	2.2	0.5	**40.7**	7.6	30.7			
Infrastructure	**-0.4**	2.2	-2.6						

*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.

PIRC

Asset Allocation

	Start Quarter			End Quarter			% Strategic
	GBP'000s	%		GBP'000s	%		Allocation
Equity	**498,492**	**52**		**504,865**	**52**		**50**
Longview	110,100	12		115,020	12		**10**
BlackRock	233,414	24		242,917	25		**24**
LCIV Emerging	73,527	8		71,583	7		**8**
RBC	67,704	7		67,623	7		**8**
Record Currency	13,747	1		7,722	1		
Diversifying Assets	**203,544**	**21**		**210,804**	**22**		**25**
Insight	66,873	7		67,807	7		**5.5**
LaSalle	59,898	6		59,875	6		**6**
Renewable Infrastructure	22,370	2		26,017	3		**5**
Infrastructure	50,091	5		53,120	5		**7.5**
Pantheon	4,311	0		3,985	0		**1**
Risk Control Assets	**232,654**	**24**		**229,241**	**24**		**25**
BlackRock	90,764	9		84,183	9		**10**
LCIV Bonds	43,613	5		43,651	5		**5**
LCIV Alternative Credit	98,277	10		101,407	10		**10**
Cash	**20,811**	**2**		**23,822**	**2**		**0**
Total Fund	**955,501**	**100**		**968,733**	**100**		**100**

PIRC

Latest Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	**16.2**	**13.2**	**2.7**	**0.3**
BlackRock	**11.1**	**9.9**	**1.1**	**0.3**
RBC	**1.1**	**13.2**	**-10.7**	**-0.8**
LCIV EM				
Diversifying Assets				
Insight	**1.3**	**7.6**	**-5.9**	**-0.5**
LaSalle	**-16.1**	**-15.1**	**-1.2**	**0.0**
Renewable Infrastructure	**40.7**	**7.6**	**30.7**	**0.0**
Infrastructure				
Pantheon	**-8.1**	**13.2**	**-18.8**	**-0.1**
Risk Control Assets				
BlackRock	**-15.6**	**-15.2**	**-0.5**	**-0.1**
LCIV Bonds	**0.9**	**-0.1**	**1.0**	**0.0**
LCIV Alternative Credit	**6.2**	**7.8**	**-1.5**	**-0.1**
Total Fund	**4.7**	**4.8**	**-0.1**	

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	**14.7**	**11.1**	**3.2**	**0.4**
BlackRock	**9.1**	**8.7**	**0.3**	**0.1**
RBC				
LCIV EM				
Diversifying Assets				
Insight	**2.8**	**5.5**	**-2.6**	**-0.1**
LaSalle	**1.5**	**2.9**	**-1.4**	**-0.1**
Renewable Infrastructure				
Infrastructure				
Pantheon	**8.6**	**10.6**	**-1.8**	**0.0**
Risk Control Assets				
BlackRock	**-12.7**	**-12.6**	**-0.1**	**0.0**
LCIV Bonds				
LCIV Alternative Credit				
Total Fund	**4.3**	**4.8**	**-0.4**	

Manager contribution is the impact of each portfolio on the overallFund 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.

PIRC

Last 5 Year Performance

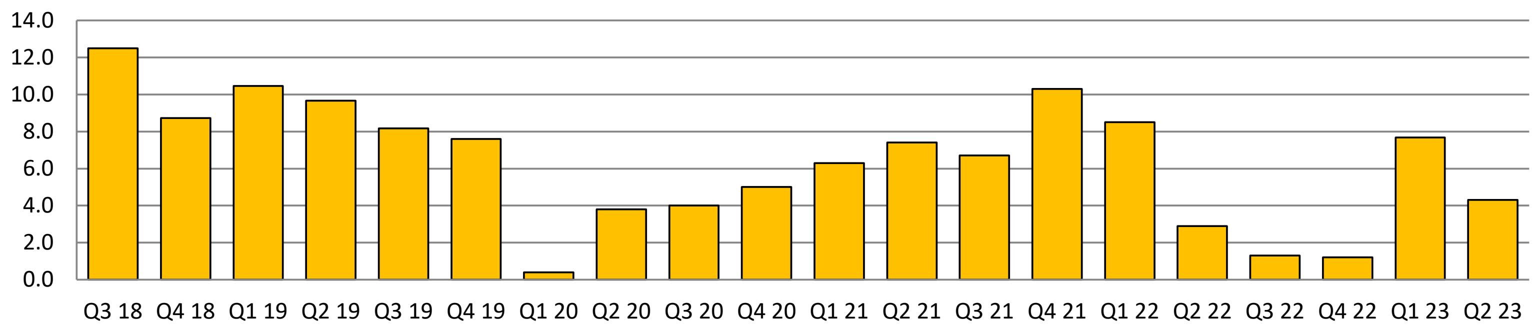
% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
Equity				
Longview	**10.1**	**9.9**	**0.2**	**0.0**
BlackRock	**8.5**	**8.2**	**0.3**	**0.1**
RBC				
LCIV EM				
Diversifying Assets				
Insight	**2.1**	**5.0**	**-2.8**	**-0.2**
LaSalle	**0.1**	**2.0**	**-1.9**	**-0.2**
Renewable Infrastructure				
Infrastructure				
Pantheon	**6.8**	**9.5**	**-2.5**	**0.0**
Risk Control Assets				
BlackRock	**-3.7**	**-4.1**	**0.4**	**0.1**
LCIV Bonds				
LCIV Alternative Credit				
Total Fund	**3.7**	**5.2**	**-1.4**	

Manager contribution is the impact of each portfolio on the overallFund 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.

PIRC

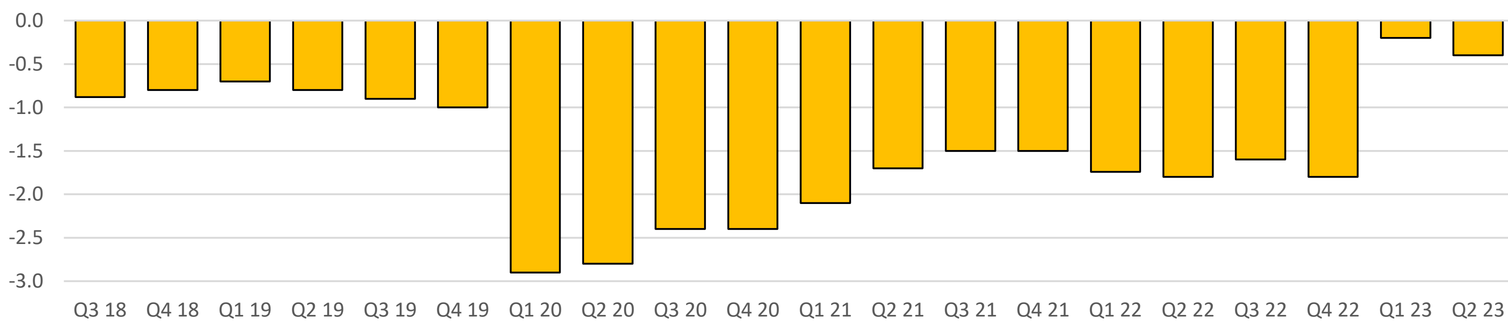
Rolling Three Year Returns

Rolling Three Year Returns (%p.a.)



three year return of 4.3% p.a. is well below the current rate of CPI.

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



Now that the marked underperformance of the first quarter of 2020 has dropped from the three year results the Fund is back much closer to its benchmark result.

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

June 2022 to June 2023

Asset Class	Value 30.06.2022 £'000	Value 31.07.2022 £'000	Value 31.08.2022 £'000	Value 30.09.2022 £'000	Value 31.10.2022 £'000	Value 30.11.2022 £'000	Value 31.12.2022 £'000	Value 31.01.2023	Value 31.02.2023	Value 31.03.2023	Value 31.04.2023	Value 31.05.2023	Value 30.06.2023 £'000	Allocation 30.06.2023 %	Strategic Allocation %	Strategic Range %
Global Equities																
LCIV - Global Equity Focus Fund	121,282	130,520	129,994	117,181	121,923	110,130	105,742	110,897	109,821	110,100	110,798	109,637	115,020	12	10	
LCIV - Blackrock Passive	241,501	257,001	261,414	242,976	243,311	231,630	226,691	234,134	234,945	233,414	235,333	238,232	242,917	25	24	
LCIV - Sustainable Equity Fund	66,897	71,786	71,767	67,920	68,672	71,638	67,564	69,645	68,324	67,704	67,526	66,645	67,623	7	8	
LCIV - Emerging Market Equity Fund	62,393	71,203	74,269	69,923	65,131	72,475	71,497	75,551	72,599	73,527	71,192	70,923	71,583	8	8	
GMO	6,856	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Record passive currency hedge	-15,936	-7,141	-15,857	-23,461	3,150	8,086	8,649	12,575	10,421	13,747	5,033	3,343	7,722	1		
Total Global Equities	482,993	523,370	521,587	474,540	502,187	493,960	480,143	502,801	496,110	498,492	489,883	488,779	504,865	**53** Inc Hedging	**50**	**45-55**
Diversifying Return Assets																
Diversified Growth Fund - Insight	83,304	81,404	78,084	65,927	66,056	67,082	66,407	67,528	66,878	66,873	67,511	67,290	67,807	7	5.5	
Property - LaSalle	73,515	73,380	72,986	70,087	68,417	66,851	60,780	60,213	60,028	59,898	59,796	59,637	59,875	6	6	
Renewables - LCIV Renewables Fund	12,111	12,253	13,014	17,984	17,984	17,984	19,237	19,505	20,298	22,370	24,633	24,633	26,017	3	5	
Infrastructure - LCIV Infrastructure	34,846	34,846	41,472	43,304	47,560	48,055	50,091	50,091	50,091	50,091	52,691	52,691	53,120	5	7.5	
Private Equity - Pantheon	5,218	5,218	5,218	4,877	4,877	4,877	4,695	4,695	4,695	4,052	3,985	3,985	3,985	1	1	
Total Diversifying Return Assets	208,995	207,101	210,775	202,178	204,894	204,848	201,210	202,032	201,990	203,285	208,616	208,235	210,804	**22**	**25**	**20-30**
Risk Control Assets																
Bonds - Blackrock - FI Corp	35,997	37,659	34,279	29,817	31,517	46,610	44,246	46,410	45,296	46,539	45,824	43,848	43,398	4	5	
Bonds - Blackrock - IL passive LCIV	37,178	39,413	36,064	33,243	31,405	44,724	41,959	43,658	41,303	44,225	42,161	39,319	40,785	4	5	
Alternatives - LCIV Alt Credit Fund	95,414	96,924	97,823	93,952	94,199	96,243	96,500	100,222	101,111	98,277	99,729	100,222	101,407	10	10	
Bonds - LCIV Global Bond Fund	43,243	44,409	43,358	41,325	40,653	42,679	42,316	43,472	42,919	43,613	43,463	43,612	43,651	5	5	
Total Risk Control Assets	211,832	218,406	211,524	198,338	197,774	230,257	225,021	233,763	230,629	232,654	231,177	227,001	229,241	**23**	**25**	**20-30**
Cash & NCA																
Cash Managers (Blackrock)	7,755	7,765	7,773	7,784	5,796	10,807	10,822	10,851	10,883	10,915	10,953	10,991	11,033			
Cash NatWest	9,914	10,095	5,252	13,091	9,098	8,760	7,464	8,760	7,404	7,672	13,329	11,199	9,022			
Cash Custodian (JP Morgan)	3,380	280	280	279	49	49	48	28	28	27	792	794	794			
Blackrock Dividends (Pending Reinvestment)	578	579	865	868	868	868	1,317	1,195	484	491	491	1018	1,025			
Debtors and Creditors	3,261	1,058	1,401	1,529	1,285	1,187	2,250	1,187	1,586	1,135	2,383	3,942	1,799			
CIV Investment	150	150	150	150	150	150	150	150	150	150	150	150	150			
Total Net Current Assets	25,039	19,928	15,721	23,701	17,246	21,820	22,050	22,171	20,534	20,390	28,099	28,094	23,822	3	0	
Total Assets	928,858	968,805	959,607	898,757	922,102	950,884	928,425	960,767	949,263	954,822	957,774	952,110	968,732	100	100	
Assets Pooled																
- LCIV Funds	47.0%	47.7%	49.2%	50.2%	49.5%	48.3%	48.8%	48.9%	49.0%	48.8%	49.1%	49.2%	49.4%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	30.0%	30.6%	31.0%	30.7%	29.8%	29.1%	28.9%	28.9%	29.1%	29.1%	29.0%	29.2%	29.3%		29.0%	
Total % Pooled	77.0%	78.3%	80.2%	81.0%	79.3%	77.4%	77.7%	77.8%	78.1%	77.8%	78.0%	78.3%	78.7%		82.5%	

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REPORT FOR:	**Pension Fund Committee**
Date of Meeting:	19 September 2023
Subject:	Draft Pension Fund Annual report for 2022-23
Responsible Officer:	Sharon Daniels – Acting Director of Finance and Assurance
Exempt:	No
Wards affected:	List Ward(s) affected by decision. **None**
Enclosures:	Appendix – 1 Draft Pension Fund Annual report for 2022-23

Section 1 – Summary and Recommendations

This report presents the draft Pension Fund Annual Report for the year ended 31 March 2023.

Recommendations:

The Committee is **recommended** to approve the draft Pension Fund Annual Report for 2022-23 for publication and to authorise the Acting 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. 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 yet to be submitted.

3. The audited Pension Fund Annual Report is required to be published by 1 December 2023 – this requirement has not changed. The draft annual report (which contains the 2022-23 Pension Fund Accounts) is enclosed as **Appendix 1**.

4. The 2021/22 audit of accounts is still in progress, and the outcome will be reported to the Committee's next meeting on 21 November 2023.

5. To assist in the Committee's consideration of this matter they are advised of the following key points:

Fund Revenue Account

6. During the year 2022-23, the net assets of the Fund reduced from £1,018m to £954.8m. This reflected the continued volatility of investment markets in 2023.

7. The Accounts comprise two main statements with supporting notes. The main statements are:

   i) Dealings with Members Employers and Others which is essentially the fund's revenue account; and
   ii) The Net Assets Statement which can be considered as the fund's balance sheet.

8. The return on investment section of the accounts sets out the movement in the net worth of the fund in the year by analysing the relevant financial

transactions and movements in the market value of the investment portfolio. The statement has two main sections:

i) The financial transactions relating to the administration of the fund; and
ii) The transactions relating to its role as an investor.

9. Overall, the Fund's assets had decreased by £63m in the financial year. The value depreciation was due to the underperformance of the financial markets in which the Fund held its investments and a net withdrawals of fund expenditure over income.

10. The net asset statement represents the net worth (£954.8m) of the Fund as at the 31st March 2023. The statement reflects how the transactions outlined in the other statement have impacted on the value of the Fund's assets.

11. The Fund income section of the report principally relates to the receipt of contributions, from employers and active members, and the payment of pensions benefits. The total contributions increased over the year by £2m. The section indicates that the Fund is cash negative in that the payment of benefits exceeds the receipt of contributions, presenting a net withdrawal of £2.64m for 2022/23 compared to net withdrawals of £3.95m in 2021/22.

12. Investment income increased by some £1.3m over the year as expected this is in line with the Fund assets appreciation. Transfer Values received (amounts paid over when a fund member transfers their benefits from one fund to another) was lesser by £2.4m over the year. It is not possible to predict the value of transfer value payments as they are dependent on an individual's length of service and salary and as such may vary significantly.

13. In 2022/23 the overall benefits paid, increased by some £750k over the year and the management expenses went down by £781k. 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.

14. 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.

15. Overall, fund membership has increased slightly from 19,003 to 19,348, an increase in membership number of 345. The active members increased by 244 members over the year, deferred members increased by 183 and the retired membership decreased by 110 members.

16. The investment performance section of the report details returns on the investment portfolio, the impact of managers' activities and investment markets on the value of investments.

17. As the pension fund accounts remain part of the financial statements of the Council as a whole, the Governance, Audit, Risk Management and Standards Committee (GARMS) retain ultimate responsibility for receiving,

considering and agreeing audit plans as well as receiving any reports arising from the audit. However, the Audit Plan for the Pension Fund and any reports arising from the audit will be reported to this Committee.

18. The External Auditor provides an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance. The external auditor is required to issue an ISA 260 report, an opinion on the Council's accounts and this will include an opinion on the Pension Fund accounts. The ISA 260 report sets out their opinion and any issues which they believe the Committee should be aware of.

19. The audit of the Council's accounts is yet to be completed and an ISA 260 report will be issued by the auditor once completed, at the time of writing this report ISA 260 has not been issued for the Pension Fund accounts.

20. The Pension Fund audit is being undertaken by Mazars and the audit fee is being maintained at £17,000, this would be charged to the Pension Fund.

21. The annual report also includes three key statements:

    i) Funding Strategy Statement,
    ii) Investment Strategy Statement and
    iii) Governance Compliance Statement - relating to the management and governance of the scheme and each statement serves a different purpose.

22. The purpose of the Funding Strategy Statement (FSS) is threefold:

    i) To establish a clear and transparent fund specific strategy which will identify how employers' pension liabilities are best met going forward;
    ii) To support the regulatory framework to maintain as nearly constant employer contributions rates as possible; and
    iii) To take a prudent longer-term view of funding those liabilities.

23. The Investment Strategy Statement (ISS). The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

24. This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.

25. The Governance Compliance Statement sets out the Council's policy as the administering authority in relation to its governance responsibilities for the Fund.

PIRC League Table Performance

26. PIRC measures the performance of the Fund against their Local Authority Universe data. The PIRC Local Authority Universe is an aggregation of Funds (currently 45 Funds) within the LGPS sector that is used for peer group comparisons. The performance results set out in this section are from the league tables.

27. Fund Performance over the period of 1, 3 and 5 years are shown in below table:

	1 year	3 years	5 years
Harrow Pension Fund % p.a.	(5.4)	7.7	3.7
Benchmark % p.a.	(5.0)	7.9	5.3
PIRC* Universe Average % p.a.	(1.7)	9.5	5.9
Ranking	84	84	98

28. 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.

29. The Fund remains below the Universe average over all time periods. Over the medium term the key factor in this has been the Benchmark that has been set, although over five years, whilst this remains below the Universe average, it is the manager underperformance that has been the main contributor to the disappointing relative results.

Legal Implications

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

31. 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.

Financial Implications

32. 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

33. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**

34. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board.

35. 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

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 7th September 2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer

Date: 7th September 2023

Chief Officer: Sharon Daniels
Signed on behalf of the Chief Executive
Date: 7th September 2023

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Bola Tobun – Treasury and Pensions Manager
Email: Bola.Tobun@harrow.gov.uk
Telephone 020 8420 9264

Background Papers: None

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London Borough of Harrow Pension Fund

Annual Report and Financial Statements for the year ended 31 March 2023

Harrow COUNCIL LONDON

CONTENTS

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 2023. 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 2022-23, The Fund's Actuary, Hymans Robertson LLP, carried out the statutory Triennial Valuation of the Fund. The Pension Fund Committee monitored this process and approved a revised Funding Strategy Statement in March 2023. It also continued to review the Fund's Investment strategy. The redemption of the Emerging Market Equity Portfolio with GMO, and the investment of the proceeds in the LCIV Emerging Market Equity Fund was completed in July 2022. There were further drawdowns against the earlier commitments to invest £68m of fund assets in the LCIV Infrastructure Fund (a total of £45.7m being invested at 31 March 2023), and to invest £50m in the LCIV Renewables Infrastructure Fund (of which £17m had been invested at 31 March 2023). Finally, in March 2023 the Committee decided to redeem its investments in the LaSalle Property Fund of Funds. That redemption and subsequent investment of the proceeds is likely to take at least two years, reflecting the relative illiquidity of property investments.

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 2022-23, the Pension Board met four times and considered a range of reports on pension administration performance and pension fund governance arrangements and the 2022 Triennial Valuation, as well as reviewing a number of 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 2022-23.

The net assets of the Fund as at 31 March 2023 were £954.8m compared to £1,018m as at 31 March 2022. The Fund's overall investment return for the year was -5.4% lagging its benchmark return of -5.0% by 0.4%.

Dawn Calvert - CPFA
Director of Finance and Assurance
30th May 2023

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 David Ashton (Chair) Councillor Nitin Parekh (Vice Chair) Councillor Norman Stevenson Councillor Krishna Suresh
Independent Advisers	Colin Robertson Richard Romain
Trade Union Observers	Vacant - Unison Pamela Belgrave - GMB
Officer	Dawn Calvert, Director of Finance & Assurance
Actuary	Hymans Robertson LLP
Investment Consultant	Aon
Investment Managers	LaSalle Global Partner Solutions BlackRock Investment Management (UK) Limited 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 Managing Director, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Managing Director 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 2022-23 all Annual Benefit Statements were issued on time.

Performance Monitoring 2022-23

SERVICE	National Benchmarking Target	Harrow Achievement %
Issue letter notifying of dependent's benefit	5 days	56.92
Calculation and notification of ill health estimate	10 days	100
Calculation and notification of retirement benefits estimate	10 days	89.31
Issue letter to new pension provider detailing transfer-out quote	10 days	76.47
Calculation and notification of deferred benefits	10 days	84.08
Calculation and notification of retirement benefits	5 days	75.61
Process refund and issue payment	5 days	60.47
Calculation and notification of ill health benefits	5 days	50
Issue statutory notification on receipt of transfer funds	10 days	87.50

Pension Board monitors pension administration performance quarterly. There were no reported breaches of law during 2022-23.

The Internal Dispute Resolution Procedure which deals with complaint over the administration of pension benefits by the administering authority. There were two complaints referred through the internal procedure during the year – one complaint was resolved in June 2022 and the second complaint has been taken to the Ombudsman in October 2022 for the 2nd time, this is in regard to an Ill Health decision made by the Fund previous occupation health provider.

The costs of running the Pension Fund are shown below:

Process	2020-21	2021-22	2022-23
Investment management expenses			
Total Cost (£000)	3,840	3,828	3,166
Total Membership (No.)	18,577	19,003	19,348
Sub Cost per member (£)	207	201	164
Administration costs			
Total Cost (£000)	713	888	703
Total Membership (No.)	18,577	19,003	19,348
Sub Cost per member (£)	38	47	36
Oversight & governance costs			
Total Cost (£000)	602	615	681
Total Membership (No.)	18,577	19,003	19,348
Sub Cost per member (£)	32	32	35
Total cost per member (£)	**277**	**281**	**235**

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 2022-23 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 23)

General Background

Global equities generated negative returns over the last twelve months, suffering a sharp sell-off over the first six months, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine and central banks sharply tightening monetary policy in response to elevated inflationary pressures. However, equity markets recouped more than half of the losses over the last six months of the year as markets felt confident that a deep recession would be avoided, and investor concerns on tighter monetary policy abated.

Significant volatility in the gilt market occurred following the UK's 'mini-budget' in September, affecting many UK schemes using leveraged liability-driven investments (LDI). The resulting collateral calls were met by forced selling of gilts, swaps, and credit. The Bank of England (BoE) subsequently intervened to restore normal market function.

UK prime minister Liz Truss resigned after her forty-nine-day premiership and became the shortest-serving prime minister in Britain's history. Before resigning, Truss sacked chancellor Kwasi Kwarteng. Former chancellor Rishi Sunak was sworn in as the new UK prime minister.

In the US, Silicon Valley Bank (SVB) entered receivership with the Federal Deposit Insurance Corporation (FDIC) on 10 March 2023, with the regulator citing inadequate liquidity and solvency protection. SVB was the 16th largest bank in the US and represents the largest failure of a bank since the Global Financial Crisis. US Treasury Secretary Yellen approved actions that will enable the FDIC to resolve SVB in a way that fully protects all depositors. Shareholders and certain unsecured debt holders were not protected. The Fed also launched a new programme called the "Bank Term Funding Program" which will provide $25 billion of liquidity should banks require it.

Shortly after SVB's demise, investor concerns regarding Credit Suisse accelerated amidst reports that its top shareholder had ruled out further funding. UBS later agreed to buy Credit Suisse for $3.25bn at CHF0.76 per share on 19 March 2023, representing a significant discount to its pre-crisis share price, after Swiss regulators urgently stepped in to broker a deal. The Swiss National Bank has offered a CHF100bn liquidity line as part of the deal and the government will provide a loss guarantee of up to CHF9bn after UBS takes on the first CHF5bn of losses on certain assets. Under the deal's terms, CHF16bn of Credit Suisse's additional tier 1 capital bonds are being written off to zero.

UK prime minister Rishi Sunak and the European Commission President Ursula von der Leyen announced a new post-Brexit deal on Northern Ireland under the "Windsor Framework" on 27 February 2023. The agreement aims to ease trade barriers between Northern Ireland and the rest of the UK. The UK Parliament passed a vote on the deal on 22 March 2023 after Sunak gathered the support of some Democratic Unionist Party and Eurosceptic Tory members of parliament. The UK announced a deal to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership on 31 March 2023, becoming the first nation to join the group since its establishment in 2018. Current members of the group include Australia, Canada, Japan, and Mexico, amongst seven other countries. The UK government estimates that the agreement will increase UK GDP by only around 0.08% in the next 10 years.

Geopolitical tension remained elevated. In June 2022, the European Union (EU) agreed to implement the sixth package of sanctions on Russia. The package includes removing Sberbank, Russia's largest bank, from the SWIFT cross-border payment system and a ban on sea-borne oil purchases from Russia, which is almost two-thirds of Europe's imports from Russia. In September 2022, the Russia-Ukraine conflict escalated after Moscow announced the annexation of four regions in south-eastern Ukraine - Donetsk, Luhansk, Kherson, and Zaporizhzhia. President Vladimir Putin vowed to use "all the means" to defend the annexed territories. The European Union (EU) decided to implement a price cap on seaborne Russian oil while the US imposed sanctions on the governor of Russia's central bank. The US unveiled its plans to impose fresh sanctions on more than 200 entities throughout Europe, Asia, and the Middle East "that are supporting Russia's war effort" in February 2023. Russian President Vladimir Putin announced on 21 February 2023 that Russia would suspend its nuclear weapons treaty with the US and also unveiled its plans to deploy tactical nuclear weapons in Belarus by July in March

2023. Russia cut oil production by 500,000 barrels a day in response to a price cap imposed by Western nations. Elsewhere, the US imposed a ban on five Chinese entities from acquiring US technology and put 28 Chinese groups allegedly in breach of US sanctions on a trade blacklist. In a series of coordinated actions following a G7 meeting in February 2023, the UK also announced sanctions on selected Chinese entities, whilst the EU and Japan finalised similar trade bans. US-China trade tensions saw further escalation as Japan and the Netherlands entered into a trilateral agreement with the US that restricts exports of chip manufacturing tools to China. The agreement is designed to hinder the Chinese military's ability to develop advanced weapons.

Over the last year, the BoE raised its benchmark interest rate cumulatively by 350bps to 4.25%. The BoE noted that the need for further monetary policy tightening would depend on future evidence concerning the persistence of price pressures. Meanwhile, the BoE became the first major central bank to actively start to unwind quantitative easing as it sold £750mn of government bonds in November 2022. The US Federal Reserve (Fed) increased its benchmark interest rate by 450bps to a range of 4.75%-5%, the highest level since 2007. In Q1 2023, the Federal Open Market Committee (FOMC) dropped its previous warning that "ongoing increases" would be needed to bring soaring inflation under control, instead noting that "some additional policy firming may be appropriate". The European Central Bank (ECB) raised its deposit rates by 350bps to 3.0% over the year, its highest level in 14 years. The ECB announced plans to start shrinking the €5tn of bonds it purchased over the last eight years from March 2023.

US equities were the worst performer over the year, falling 8.5% in local currency terms. Equities sold off sharply in 2022 as elevated inflation and expectations for higher interest rates weighed on the region, leading to the underperformance of sectors such as Information Technology and Consumer Discretionary. Following SVB’s collapse in March 2023, investors shrugged off short-lived concerns over the banking sector and priced in a quicker end to the sharpest tightening cycle in recent memory. For a major part of last year, the US dollar exhibited strength due to its status as a safe haven, improving returns in sterling terms.

UK equities were the best-performing equity market over the year, rising 5.6%. Performance was supported the heavy-weighted energy sector as fears over the supply of energy grew as a result of the conflict in Ukraine. The energy sector was the best performer with a return of 22.5%. Economically sensitive sectors outperformed, with the industrials and consumer discretionary sectors returning 9.8% and 9.0% respectively.

Emerging markets (EM) were the second worst-performing market in local currency terms over the last twelve months, falling 6.2%. Increases in interest rates by major central banks and a strong dollar resulted in EM returns lagging other markets. Brazilian (-12.8%) and South Korean (-7.6%) equities underperformed while Chinese (-3.1%) and Indian (-4.2%) equities were among the best performers. Brazil experienced anti-government riots amidst softening economic data whilst Indian markets is the midst of allegations of share price manipulation and fraud at a major conglomerate in the country.

On a global sector level, Energy (11.0%) was the only sector to generate a positive return in local currency terms. Real Estate (-17.8%) was the worst-performing sector, followed by Communication Services (-14.2%) and Consumer Discretionary (-10.5%).

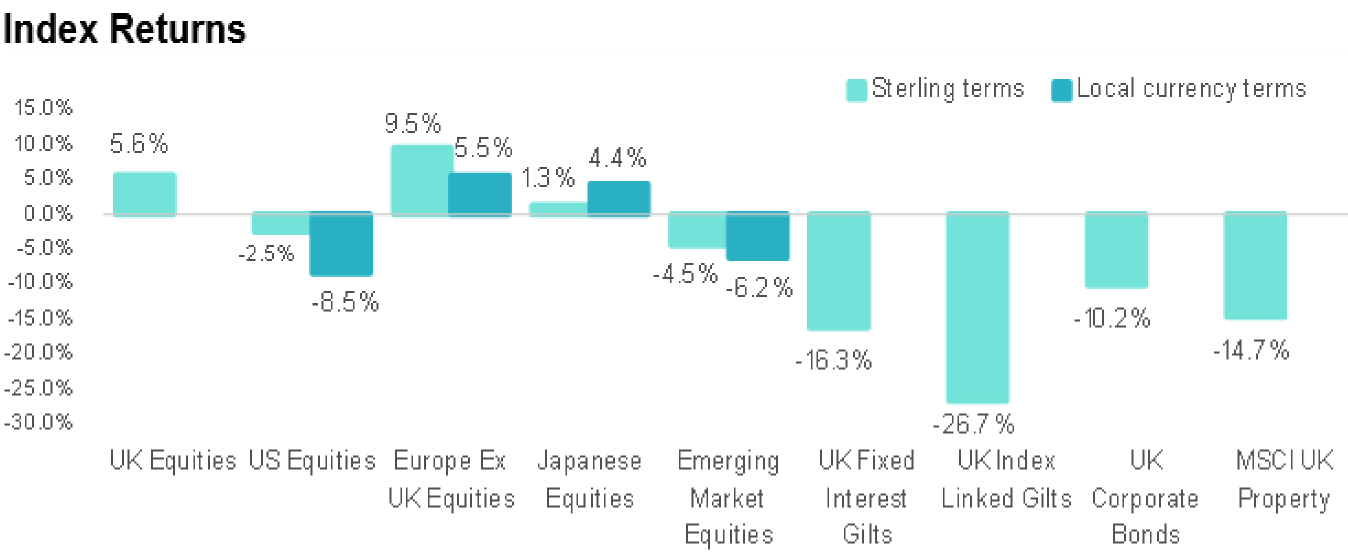
The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. The sharpness of the sell-off was exacerbated by the forced unwinding of LDI positions, as UK pension schemes worked to provide collateral to LDI managers following sharp yield increases. However, in the fourth quarter, yields fell back across the curve following a government U-turn on fiscal policy and Liz Truss’ resignation as prime minister. Later, in Q1 2023, the UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 16.3% and index-linked gilts fell by 26.7% over the last twelve months.

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 37bps to 167bps. The index declined 10.2% as rising gilt yields and widening spreads outweighed the income yield.

Sterling ended the twelve months 2.6% lower on a trade-weighted basis.

Brent crude oil prices fell by 26.1% to $80/BBL over the last twelve months. In Q2 2022, OPEC+ agreed to a larger-than-expected oil production increase as oil prices surged. The group decided to increase production by 648,000 barrels per day for July and August. However, a sharp fall in oil prices in the third quarter amid growing fears of recession and weak oil demand from China due to its “zero-covid” policy prompted OPEC+ to agree to 100,000 barrels a day oil production cut from October. In Q4 2022, OPEC+ agreed to cut 2m barrels a day in oil production to keep oil prices from falling as a result of weaker global demand. In Q1 2023, OPEC+ announced surprise oil production cuts of more than 1 million barrels a day (b/d), including a 500,000 b/d cut by Saudi Arabia. The timing of the announcement was unusual as it wasn't made during a formal OPEC+ meeting.

The MSCI UK property index returned -14.7% over the year as capital values depreciated, following sharply higher capitalisation rates over the last year. The income return was 5.0% but the 18.8% decrease in capital values weighed over. The retail, office, and industrials sectors fell 7.8%, 13.2%, and 21.2% respectively.



Index returns from 31/3/2022 to 31/3/2023. Source: FactSet, MSCI (Equities, Property), FTSE (Gilts), iBoxx (Credit).

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 2023 is £0.757m paid to the London CIV for annual service charges and development funding.

The following table compares the actual asset allocation as at 31 March 2023 to the agreed allocation

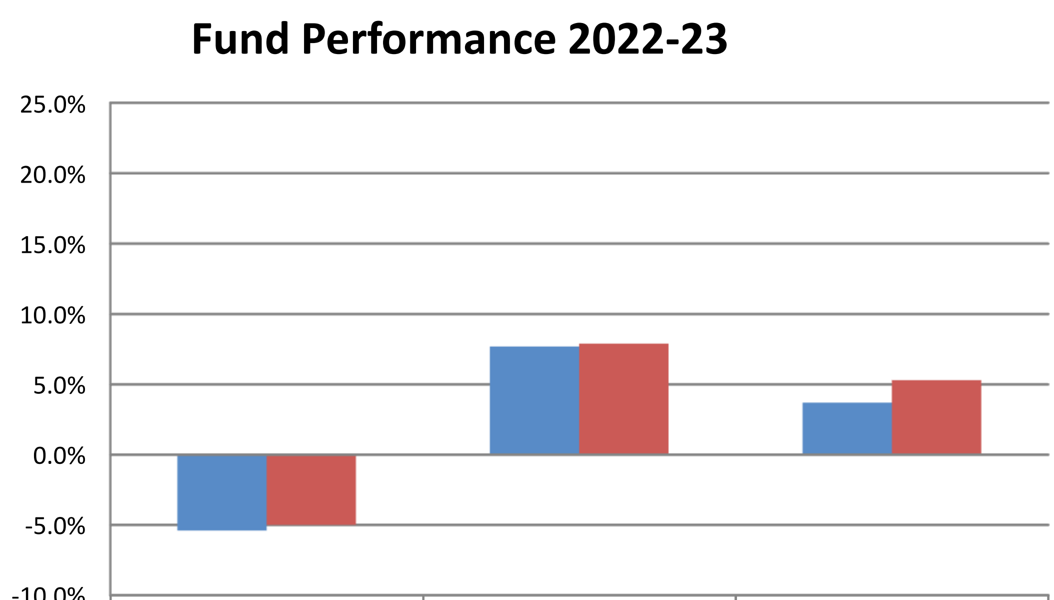
Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	24	24
Developed world equities-active	19	18
Emerging markets equities-active	8	8
Fixed interest securities	5	5
Global Bonds	5	5
Index linked securities	5	5
Private equity	1	1
Cash	1	0
Forward currency contracts	1	0
Diversified growth funds	7	5.5
Multi Asset Credit	10	10
Pooled property	6	6
Infrastructure	8	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 2023 are shown below.



	1 Year	3 Years to March 2023	5 Years to March 2023
Fund	-5.4%	7.7%	3.7%
BM	-5.0%	7.9%	5.3%

The Fund's return of -5.4% during 2022-23 reflected the negative returns of most asset class. Global Equities generated negative returns over the twelve months, suffering a sharp sell-off over the first six months, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine and central banks sharply tightening monetary policy in response to elevated inflationary pressures. Credit markets also declined over the past twelve months.

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. Harrow's Funds allocated 19.5% of its total assets to 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 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
LCIV Renewable Infrastructure	Internal Controls Report	Reasonable assurance	EY
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 Forward Drive Harrow HA3 8FL
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.moneyandpensionsservice.org.uk The Pensions Regulator 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 & Assurance 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 2023 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 2023

2021-22 £'000		Notes	2022-23 £'000
	Dealings with members, employers and others directly involved in the fund		
(36,058)	Contributions	7	(37,238)
(3,066)	Transfers in from other pension funds	8	(3,877)
(33)	Other income		(121)
(39,157)			**(41,236)**
36,974	Benefits	9	40,269
6,141	Payments to and on account of leavers	10	3,610
43,115			**43,878**
3,958	**Net (additions)/withdrawals from dealings with members**		**2,643**
5,331	Management expenses	11	4,550
9,289	**Net (additions)/withdrawals including fund management expenses**		**7,193**
	Return on investments		
(7,030)	Investment income	12	(8,355)
(52,286)	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	64,351
(59,316)	**Net return on investments**		**55,996**
(50,027)	**Net (increase)/decrease in the net assets available for benefits during the year**		63,189
(967,984)	**Opening net assets of the scheme**		(1,018,011)
(1,018,011)	**Closing net assets of the scheme**		**(954,822)**

Net Assets Statement as at 31 March 2023

31 March 2022 £'000		Notes	31 March 2023 £'000
	Investment assets		
996,706	Investments	14	920,835
1,191	Derivative contracts	14	14,517
17,004	Cash with investment managers	14	11,433
1,014,901			**946,785**
7,288	Cash deposits	14	7,672
1,022,189			**954,457**
	Investment liabilities		
(5,232)	Derivative contracts	14	(770)
1,016,957			**953,687**
2,154	Current assets	21	1,445
140	Long Term Debtors	21A	176
1,019,251			**955,308**
(1,240)	Current liabilities	22	(486)
1,018,011	**Net assets of fund available to fund benefits at the period end**		**954,822**

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.

Dawn Calvert – CPFA
Director of Finance & Assurance
13th July 2022

Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2023

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

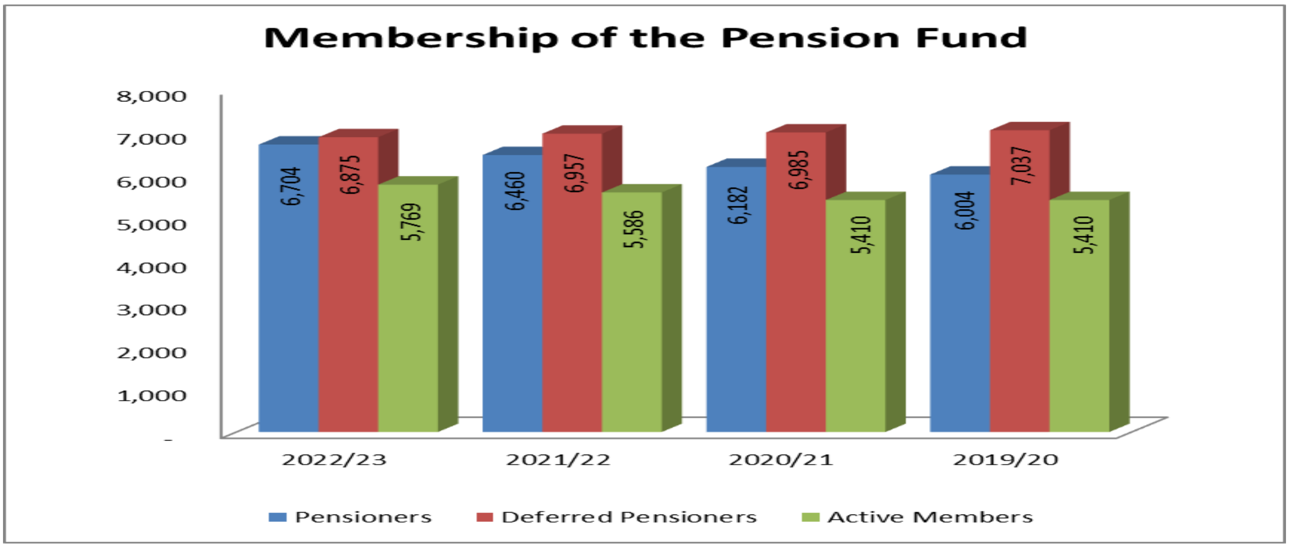
Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

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	DEFERREDS	ACTIVES	Total	%
Harrow Council	Scheduled Body	6187	5633	3666	15,486	80.64
Nower Hill	Scheduled Body	40	144	189	373	1.83
Stanmore College	Scheduled Body	109	154	100	363	1.80
Heathland and Whitefriars	Scheduled Body	27	86	203	316	1.54
Hatch End High	Scheduled Body	39	135	69	243	1.26
Rooks Heath	Scheduled Body	29	99	129	257	1.33
Park High	Scheduled Body	19	82	113	214	1.11
Canons High	Scheduled Body	18	78	124	220	1.14
Bentley Wood	Scheduled Body	13	89	88	190	0.98
Harrow High	Scheduled Body	20	61	78	159	0.82
St Dominics 6th form college	Scheduled Body	50	33	48	131	0.68
Aylward Primary School	Scheduled Body	11	30	79	120	0.62
Pinner High School	Scheduled Body	3	11	101	115	0.59
Priestmead School	Scheduled Body	6	12	88	106	0.55
Salvatorian Academy	Scheduled Body	24	50	17	91	0.47
St Georges Primary	Scheduled Body	7	5	75	87	0.45
St John Fisher	Scheduled Body	5	7	63	75	0.39
St Josephs Primary	Scheduled Body	5	6	64	75	0.39
Welldon Park School	Scheduled Body	5	5	59	69	0.36
Earlsmead Academy	Scheduled Body	7	11	41	59	0.30
Alexandra Academy	Scheduled Body	8	18	31	57	0.29
Sacred Heart High School	Scheduled Body	6	8	32	46	0.24
Avanti House Secondary Scho	Scheduled Body	0	4	46	50	0.26
St Bernadettes	Scheduled Body	10	6	32	48	0.25
St Jerome	Scheduled Body	1	2	39	42	0.22
Krishna Avanti Academy	Scheduled Body	0	16	27	43	0.22
Jubilee Academy	Scheduled Body	0	16	19	35	0.18
Avanti House Primary School	Scheduled Body	1	12	22	35	0.18
Avanti School Trust	Scheduled Body	0	1	9	10	0.05
Hujjat Primary School	Scheduled Body	0	1	16	17	0.09
NLCS	Community Admission Body	45	48	42	135	0.70
Evergreen	Admitted Body	0	0	19	19	0.10
ISS Catering	Admitted Body	3	2	10	15	0.08
SOS Ltd	Admitted Body	0	2	4	6	0.03
Brayborne Facilities Services	Admitted Body	0	0	5	5	0.03
SOS Longfield	Admitted Body	0	3	2	5	0.03
Wates (Linbrook)	Admitted Body	3	0	3	6	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	3	3	0.02
PSC Vaughan	Admitted Body	0	0	2	2	0.01
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Aylward	Admitted Body	2	0	1	3	0.02
Evergreen LBH	Admitted Body	0	2	1	3	0.02
		6,704	6,875	5,769	19,348	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 2022 and showed that the Fund was 96% 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 17.2% to 35.4% of pensionable pay.

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 updated 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 2022-23 financial year and its position as at 31 March 2023. 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)*.

<u>Administrative expenses</u>

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.

<u>Oversight and governance costs</u>

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.

<u>Investment management expenses</u>

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 2022-23.

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). Derivatives are used by the Fund to reduce its exposure to the risk of fluctuations in currency values in its global equity portfolio. They are valued on the basis of the change in the relative values of sterling and the currency being hedged between the point at which the derivatives were purchased and the balance sheet date.

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 with the exception of current liabilities. 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. Current Liabilities are shown at amortised cost - given the short-term nature of these liabilities there are unlikely to be any gains or losses arising from these before settlement.

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.

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 2023 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: ° 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £15.7m ° 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £1.3m ° 0.1% increase in Pension benefits would increase the liability by approximately £14.6m

Private equity (Note 16C)	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines*. 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 £4.05m 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 2023.	The total property pooled investments in the financial accounts are £59.9m. 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 2022-23 for which the accounts have been adjusted.

The valuation of the Pension Fund's investment assets will fluctuate from time to time as a result of economic factors and market movements. Since March 2023, global investment markets have been volatile for a number of reasons. As a result, the value of the Fund's investment assets had been volatile too. However, the Fund's actuary advises that the impact of the increase in Gilt yields in the same period is likely to have reduced the Fund's liabilities significantly. Furthermore, the Fund is an "open" pension scheme, which means it has a long time horizon before many of its liabilities will fall due for payment
.
Therefore the change in asset valuations is treated as a non-adjusting post balance sheet event.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

2021-22		2022-23
£'000		£'000
(7,659)	**Employees' contributions**	**(8,209)**
	Employers' contributions:	
(19,646)	Normal contributions	(20,827)
(8,564)	Deficit recovery contributions	(8,173)
(189)	Pension strain contributions	(29)
(28,399)	**Total employers' contributions**	**(29,029)**
(36,058)	**Total contributions receivable**	**(37,238)**

By type of employer

2021-22		2022-23
£'000		£'000
(27,028)	Administering Authority	(28,187)
(7,765)	Scheduled bodies	(8,190)
(746)	Community admission body	(708)
(519)	Transferee admission bodies	(152)
(36,058)		**(37,238)**

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2021-22		2022-23
£'000		£'000
(2,499)	Group transfers	0
(567)	Individual transfers	(3,877)
(3,066)		**(3,877)**

NOTE 9: BENEFITS PAYABLE

By category

2021-22		2022-23
£'000		£'000
31,640	Pensions	33,465
4,672	Commutation and lump sum retirement benefits	5,631
662	Lump sum death benefits	1,173
36,974		**40,269**

By type of employer

2021-22		2022-23
£'000		£'000
34,367	Administering Authority	36,755
2,214	Scheduled bodies	2,966
250	Community admission body	274
143	Transferee admission bodies	274
36,974		**40,269**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVER

2021-22		2022-23
£'000		£'000
54	Refunds to members leaving service	59
2,350	Group transfers	0
3,737	Individual transfers	3,551
6,141		**3,610**

NOTE 11: MANAGEMENT EXPENSES

2021-22		2022-23
£'000		£'000
888	Administrative costs	703
3,828	Investment management expenses	3,166
615	Oversight and governance costs	681
5,331		**4,550**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2022-23	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,403	1,226	177
Pooled Investments - Alternatives	899	866	33
Pooled Investments - Other	791	772	20
Derivatives	62	62	0
Custodian	10	10	0
	3,166	**2,936**	**230**

The Fund does not pay any of its investment managers through performance fee arrangements.

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**

NOTE 12: INVESTMENT INCOME

2021-22		2022-23
£'000		£'000
(2,975)	Pooled Investments - Equities	(4,898)
(1,712)	Pooled Investments - Property	(1,790)
(2,343)	Pooled investments - Other	(1,667)
(7,030)		**(8,355)**

NOTE 13: EXTERNAL AUDIT COSTS

2021-22		2022-23
£'000		£'000
(16)	Payable in respect of external audit	(17)
(16)		**(17)**

NOTE 14: INVESTMENTS

Market value		Market value
31 March 2022		31 March 2023
£'000		£'000
	Investment assets (Pooled)	
541,760	Pooled equities investments	484,745
135,362	Pooled bonds investments	134,377
197,553	Pooled alternative investments	165,151
45,180	Pooled infrastructure	72,462
71,330	Pooled property investments	59,898
991,185		**916,633**
	Investment assets (Other)	
150	Equity in London CIV	150
5,371	Private equity	4,052
1,191	Derivative contracts: forward currency	14,517
17,004	Cash with investment managers	11,433
1,014,901		**946,785**
7,288	**Cash deposits**	7,672
1,022,189	Total investment assets	**954,457**
	Investment liabilities	
(5,232)	Derivative contracts: forward currency	(770)
(5,232)	Total investment liabilities	**(770)**
1,016,957	All investments	**953,687**

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2022	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 2023
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	541,760	71,246	(118,219)	(10,042)	**484,745**
Pooled bonds investments	135,362	26,547	(98)	(27,434)	**134,377**
Pooled alternative investments	197,553	0	(21,954)	(10,448)	**165,151**
Pooled property investments	71,330	0	(565)	(10,867)	**59,898**
Pooled infrastructure	45,180	21,553	(2,771)	8,500	**72,462**
Equity in London CIV	150	0	0	0	**150**
Private equity	5,371	0	(50)	(1,269)	**4,052**
Derivative contracts	(4,041)	30,578	0	(12,790)	**13,747**
	992,665	**149,924**	**(143,657)**	**(64,351)**	**934,582**
Cash with investment managers	17,004				**11,433**
Cash deposits	7,288				**7,672**
	24,292				**19,105**
Net investment assets	**1,016,957**				**953,687**

	Market value 31 March 2022	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**

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2022	Percentage of Fund	Manager	Investment assets	Market value 31 March 2023	Percentage of Fund
£'000	%			£'000	%
Investments managed by London CIV					
127,495	13	LCIV	Developed world equities-active	110,100	12
103,777	10	LCIV	Alternative credit fund	98,277	10
73,314	7	LCIV	Sustainable equities	67,704	7
45,180	4	LCIV	Infrastructure funds	72,462	8
46,816	5	LCIV	Global bond fund	43,613	5
269,113	26	BlackRock	Global equities - passive	233,414	24
42,083	4	BlackRock	Bonds - index-linked active	44,225	5
0	0	LCIV	Emerging markets equities-active	73,527	8
665,695	65		Total LCIV	743,322	78
71,330	7	LaSalle	Pooled property	59,898	6
11,027	1	BlackRock	Cash with investment managers	11,406	1
46,463	5	BlackRock	Bonds - fixed interest	46,539	5
7,288	1	Cash Deposits	Cash with Banks	7,672	
71,838	7	GMO		0	0
93,776	9	Insight	Diversified growth fund	66,874	7
5,977	1	JP Morgan	Cash with investment managers	27	
150	0	LCIV	UK equities-passive	150	0
5,371	1	Pantheon	Private equity	4,052	1
(4,041)	(0)	Record	Forward currency contracts	13,747	1
351,262	35		Total - Managers	210,365	22
1,016,957	**100**		**Total Investments**	**953,687**	**100**

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

Market value 31 March 2022	% of total fund	Investment assets	Market value 31 March 2023	% of total fund
£'000			£'000	
269,113	26	Blackrock Equity Beta Portfolio	233,414	24
46,463	5	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	46,539	5
		Blackrock Aquila life ovr 5yr UK idx lkd	44,225	5
71,838	7	GMO Emerging Domestic Opportunities Equity Fund		
93,776	9	Insight Broad Opportunities Fund	66,874	7
71,330	7	LaSalle Investors UK Real Estate Fund of Funds	59,898	6
127,495	13	LCIV Global Equity Focus Fund	110,100	12
103,777	10	LCIV Alternative Credit Fund	98,277	10
73,314	7	LCIV Sustainable Equity Fund	67,704	7
46,816	5	LCIV Global bond fund	43,613	5
		LCIV Infrastructure Funds	72,462	8
		LCIV Emerging Markets	73,527	8
903,922	**89**	**Total over 5% holdings**	**916,633**	**97**

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 2023 £36.8m (11.35%) compared to £25.9m (7.25%) as at 31 March 2022.

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	4,387	GBP	(3,882)	5	
One to six months	GBP	3,773	AUD	(6,838)	64	
One to six months	GBP	11,103	CAD	(18,380)	117	
One to six months	GBP	4,663	CHF	(5,151)	101	
One to six months	GBP	270	EUR	(304)	3	
Over six months	GBP	27,237	EUR	(30,434)	393	
One to six months	GBP	28,169	HKD	(268,132)	500	
Over six months	GBP	11,564	JPY	(1,811,700)	416	
One to six months	GBP	3,438	NOK	(42,157)	177	
One to six months	GBP	30	NZD	(58)	1	
One to six months	GBP	850	SEK	(10,688)	16	
One to six months	GBP	1,247	SGD	(2,035)	8	
Over six months	GBP	225,332	USD	(263,215)	12,717	
Up to one month	NZD	11	GBP	(6)	0	
Up to one month	SEK	9,647	GBP	(752)	1	
Up to one month	AUD	3,419	GBP	(1,855)		(3)
Up to one month	CAD	9,190	GBP	(5,497)		(3)
One to six months	CHF	764	GBP	(691)		(14)
Up to one month	EUR	9,942	GBP	(8,753)		(13)
One to six months	EUR	912	GBP	(810)		(8)
One to six months	GBP	3,913	CHF	(4,387)		(5)
One to six months	GBP	6	NZD	(11)		(0)
One to six months	GBP	754	SEK	(9,647)		(1)
Up to one month	HKD	134,066	GBP	(13,838)		(19)
Up to one month	JPY	591,200	GBP	(3,607)		(12)
One to six months	JPY	38,100	GBP	(243)		(10)
Up to one month	NOK	17,212	GBP	(1,338)		(8)
One to six months	NOK	7,733	GBP	(635)		(37)
One to six months	NZD	47	GBP	(25)		(1)
One to six months	SEK	1,041	GBP	(82)		(1)
Up to one month	SGD	954	GBP	(582)		(1)
One to six months	SGD	127	GBP	(79)		(2)
Up to one month	USD	85,011	GBP	(68,861)		(96)
One to six months	USD	8,182	GBP	(7,154)		(538)
Open forward currency contracts at 31 March 2023					**14,517**	**(770)**
Net forward currency contracts at 31 March 2023						**13,747**
Prior year comparative						
Open forward currency contracts at 31 March 2022					**1,191**	**(5,232)**
Net forward currency contracts at 31 March 2022						**(4,041)**

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

TABLE NEEDS TO BE REVIEWED – DATA in 'All Notes' Working Paper

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	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	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	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
Pooled investments - Infrastructure	Level 3	Valued by Fund Managers	Manager valuation statements are prepared in accordance with ECVA guidelines	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
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 2023 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2023	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	5.75%	4,052	4,285	3,820
Pooled investments - Infrastructure	5.31%	72,462	76,309	68,614
Pooled investments - property funds	7.04%	59,898	64,114	55,682
		136,412	144,708	128,116

	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

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 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Pooled equities investments	484,745			484,745
Pooled bonds investments	90,764	43,613		134,377
Pooled alternative investments	66,874	98,277		165,151
Pooled property investments			59,898	59,898
Pooled infrastructure			72,462	72,462
Private equity			4,052	4,052
Derivative contracts: forward currency		13,747		13,747
Cash Deposits / Other	19,105	150		19,255
Total	**661,488**	**155,787**	**136,412**	**953,687**

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

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

None

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

Period 2022/23	Market Value 31 March 2022	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 2023
	£000	£000	£000	£000	£000	£000	£000
Private Equity	5,371	0	0	0	(50)	(1,269)	4,052
Pooled - Infrastructure	45,180	0	0	21,553	(2,771)	8,500	72,462
Pooled - property	71,330	0	0	0	(565)	(10,867)	59,898
	121,881	0	0	21,553	(3,386)	(3,636)	136,412

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

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 2022				31 March 2023		
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			
541,760	0	0	Pooled equities investments	484,745	0	0
135,362	0	0	Pooled bonds investments	134,377	0	0
197,553	0	0	Pooled alternative investments	165,151	0	0
45,180	0	0	Pooled Infrastructure	72,462	0	0
71,330	0	0	Pooled property investments	59,898	0	0
150	0	0	Equity in London CIV	150	0	0
5,371	0	0	Private equity	4,052	0	0
1,191	0	0	Derivative contracts	14,517	0	0
0	25,676	0	Cash	0	19,163	0
0	910	0	Debtors	0	1,563	0
997,897	**26,586**	**0**		**935,352**	**20,726**	**0**
			Financial liabilities			
(5,232)	0	0	Derivative contracts	(770)	0	0
0	0	(1,240)	Creditors	0	0	(486)
(5,232)	**0**	**(1,240)**		**(770)**	**0**	**(486)**
992,665	**26,586**	**(1,240)**		**934,582**	**20,726**	**(486)**
	1,018,011		**Grand Total**		**954,822**	

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	12.32
Bonds	9.34
Alternatives	5.31
Pooled Property	7.04
Private Equity	5.75

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 2023	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	498,492	12.32	559,899	437,085
Pooled bond investments	134,377	9.34	146,933	121,821
Pooled alternative investments	165,151	5.31	173,920	156,382
Pooled property investments	59,898	7.04	64,114	55,682
Private Equity	4,052	5.75	4,285	3,819
Pooled Infrastructure	72,462	5.31	76,309	68,615
Equity - London CIV	150	0.00	150	150
Total	**934,582**		**1,025,610**	**843,554**

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**

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 2023 and 31 March 2022 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 2023	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	19,105	0	19,105	19,105
Fixed interest securities	46,539	465	47,004	46,074
Global bond fund	43,613	436	44,049	43,177
Total change in assets available	**109,257**	**901**	**110,158**	**108,356**

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**

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 7.54%

A 7.54% 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 2023	Change to net assets	
		Value on increase	Value on decrease
		+7.54%	-7.54%
	£'000	£'000	£'000
Overseas Pooled Equities	455,904	490,279	421,529

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

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 2023 was £19.1m (31 March 2022: £24.3m). This was held with the following institutions.

Summary	Rating	Balances at 31 March 2022	Balances at 31 March 2023
		£'000	**£'000**
Bank accounts			
NatWest PLC	A+ (Fitch)	7,288	7,672
JP Morgan	Aa1 (Moodys)	5,977	27
BlackRock	AAAmmf (Fitch)	11,027	11,406
		24,292	**19,105**

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 2023 the value of illiquid assets was £136.4m. This represented 14.30% of the total Fund assets (31 March 2022: £121.9m).

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 2022. The next valuation takes place as at 31 March 2025.

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 2022 actuarial valuation, the Fund was assessed as 96% funded (94% at the March 2019 valuation). This corresponded to a deficit of £39m (2019 valuation: £52m).

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	2019 %	2022 %
Price inflation (CPI)	2.3	2.7
Salary increases	3.0	3.7
Pension increases	2.3	2.7
Funded basis discount rate	4.3	4.4

Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's Vita Curves in line with the CMI 2021 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.5% 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	22.2	24.8
Future pensioners (assumed to be aged 45)	23.1	26.4

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 2022		31 March 2023
£m		**£m**
(1,502)	Present value of promised retirement benefits	(1,120)
914	Fair value of scheme assets	952
(588)	**Net Liability**	**(168)**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions used

	2021-22	2022-23
	% pa	**% pa**
Inflation/pensions increase rate assumption	3.2	3.0
Salary increase rate	4.2	4.0
Discount rate	2.7	4.8

NOTE 21: CURRENT ASSETS

31 March 2022		31 March 2023
£'000		**£'000**
	Short Term Debtors:	
768	Contributions due - employers	951
2	Sundry debtors	436
1,384	Cash owed to Fund	58
2,154		**1,445**

NOTE 21A: LONG TERM DEBTORS

31 March 2022		31 March 2023
£'000		**£'000**
140	Lifetime Tax Allowances	176
140		**176**

NOTE 22: CURRENT LIABILITIES

31 March 2022		31 March 2023
£'000		**£'000**
(191)	Sundry creditors	(220)
(752)	Transfer values	0
(297)	Benefits payable	(266)
(1,240)		**(486)**

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31 March 2022		Market value 31 March 2023
£'000		**£'000**
2,681	Prudential Assurance	2,515
577	Clerical Medical	577
237	Utmost (Previously Equitable Life)	237
3,495		**3,329**

Clerical Medical / Utmost – Not yet updated for 2022/23 as waiting for Valuation reports

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 2022		31 March 2023
£'000		£'000
(21,187)	Employer's Pension Contributions to the Fund	(21,889)
1,078	Administration expenses paid to the Council	900
1,384	Cash held by the Council	58

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 & Assurance (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 2022		31 March 2023
£'000		£'000
112	Short-term benefits	111

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2023 totalled £58.7m (31 March 2022: £77.8m).

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 2022/23

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 2023. 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 (this will also minimise the costs to be borne by Council Taxpayers).
- 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 Taxpayer 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 have a sufficiently high likelihood of achieving the funding target over 20 years. 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 at least a 70% likelihood that the Fund will achieve the funding target 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 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,018 million, were sufficient to meet 96% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £39 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 valuation report and FSS.

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 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4%
Salary increase assumption	3.7%
Benefit increase assumption (CPI)	2.7%

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.2 years	24.8 years
Future Pensioners*	23.1 years	26.4 years

*Aged 45 at the 2022 valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets have been disrupted by the ongoing war in Ukraine, a change in fiscal policy in the UK as well as global inflationary pressures. The combined impact has subdued the investment returns achieved by the Fund's assets. In addition, high levels of inflation have resulted in a higher-than-expected LGPS benefit increase of 10.1% in April 2023. However, interest rates have also increased over the period, which has increased the investment returns the Fund anticipates it will earn in the future which reduces the liabilities. The overall impact has been a material increase in funding level since the previous formal valuation as at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Steven Law FFA

9 May 2023

For and on behalf of Hymans Robertson LLP

REPORT FOR:	**Pension Fund Committee**
Date of Meeting:	19 September 2023
Subject:	Quarterly LGPS Update and Harrow Pension Administration Update with Key Performances
Responsible Officer:	Sharon Daniels – Acting Director of Finance and Assurance
Exempt:	No
Wards affected:	List Ward(s) affected by decision. **None**
Enclosures:	**None**

Section 1 – Summary and Recommendations

This report provides Members with information relating to the administration performance of the Fund over the last quarter as well as an update on latest key Local Government Pension Scheme (LGPS) issues and developments.

Recommendations:
The Committee is **recommended** to consider, note and comment on the contents of this report.

Section 2 – Report

1. A core part of running the pension fund is the maintenance of scheme membership records that enable scheme benefits to be calculated in addition to dealing with new members joining and members leaving the scheme. This activity is carried out in house. The team also deals with employer related issues, including new employers and cessation.

2. Employees working for an employer that participates in the Local Government Pension Scheme (LGPS) are eligible for membership in the scheme membership. Membership in the LGPS is voluntary, members are free to choose whether to continue participating in the scheme or to make personal arrangements outside of it.

3. The below table provides a breakdown of London Borough of Harrow Pension Fund's membership as at 30 June 2023.

LB Harrow Pension Fund	Active	Deferred	Undecided	Pensioner	Frozen
Membership Numbers 30/06/2023	5,558	7,036	1	6,765	829
Membership Numbers 31/03/2023	5,566	7,058	1	6,705	819
Change from last quarter	8	22	0	60	10
% of Membership	27.53%	34.85%		33.50%	4.10%

4. The table below shows tasks completed and outstanding on 30 June 2023.

Case Type	Outstanding March 2023	New Cases	Cases Closed	Outstanding June 2023
Transfer in quote	4	17	17	0
Transfer out quote	1	73	71	2
Age Estimate	1	63	63	0
Retirement Quote	4	58	57	1
Preserved Benefit	2	182	180	2
Opt out	5	12	11	1
Frozen Refund	0	64	62	2
Refund	1	17	17	0
Death	1	48	47	1
Actual transfer in	2	20	20	0

Actual transfer out	0	32	29	3
Actual Retirement	2	35	34	1
Preserved Pension Retirement Actual	6	71	64	7
Preserved Benefit Estimate	4	75	69	6
Other	44	1,376	1,327	49
Total	**77**	**2,143**	**2,068**	**75**

5. The above table exclude most tasks received via the pension team inbox and telephone queries. Most queries are currently actioned immediately without logging them to avoid further delay to existing workload. Some queries like refunds, opt outs, death notifications, leavers, retirement quotes are logged as tasks and allocated to members of the team to action.

6. The number of emails received via the inbox ranges between 35 to 55 each day. The team aims to target a turnaround time of 24 hours to either action the query or raise tasks for a member of the team to action if complex.

LGPS Update

7. Following the change on 30 March 2023 to the SCAPE rate, on 1 June 2023 the Government Actuary's department (GAD) issued revised factors for Cash Equivalent Transfer Values (CETV) and for pensioner divorce purposes, Cash Equivalent Value (CEV) factors. On 3 July 2023 revised factors were received for transfers in and early retirement reductions. Late retirement increases factors were also received on 3 July but will not be effective until 1 September 2023, all other factors are effective immediately. On 28 July a third batch of factors was received for trivial commutation, inverse commutation, Annual Allowance scheme pays debits and Lifetime allowance debits (still to be used for certain Annual Allowance scheme pays debits). The final batch is expected around the end of August.

8. New factors and memorandum guidance for Club transfers is also expected to come into force on 1 October 2023, to take into account the changes relating to the SCAPE discount rate, McCloud and the Career Average Revalued Earnings (CARE) revaluation date moving to 6 April, for both the LGPS and National Health Service (NHS) pension scheme.

9. The DLUHC have launched a consultation on the Next steps for LGPS investing. The consultation seeks views on proposals in 5 areas:

   a) First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.

b) Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the United Kingdom (UK), as announced in the Levelling Up White Paper (LUWP). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.
c) Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
d) Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
e) Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.

10. The DLUHC updated their form and guidance for the LGPS fund account return (SF3). The documents set out the data for 2022/23 that administering authorities must provide by 15 September 2023. DLUHC uses the information to provide a benchmark on administration and fund management and is also used in compiling the national accounts and to show the role of the LGPS in the economy. Scheme Advisory Board (SAB)

11. The SAB are running a series of free in person training sessions on Code of Transparency (CoT) which is aimed at officers within administering authorities, Local Pension Board and Committee Members with an interest in investment and governance issues. The sessions are in person and will provide:

a) An explanation of the purpose and background of SAB's ground-breaking Code of Transparency.
b) A case study from an LGPS fund on how investment cost information has been used.
c) A troubleshooting session on how to use the online reporting system (for administering authority officers only).
d) A facilitated discussion on the information that fund officers should be receiving and how this information should be reported to pension boards and committees (for administering authority officers only).

12. The dates and locations can be found within bulletin 240.

13. Following legal advice received, the SAB has commissioned expert advice around Sharia compliance from Amanah Associates. The report is expected in two months' time.

14. The DLUHC published its response to the consultation on changes to the SAB's cost management process and the Government laid the Local Government Pension Scheme (Amendment) (No.2) Regulations 2023 which came into force on 1 June 2023. This will give the SAB greater flexibility in making recommendations to the Secretary of State where there is a breach as well as better aligning the SAB's cost management process with His Majesty's Treasury's (HMT) reformed cost control process. The SAB process will operate before HMT's cost control mechanism.

15. On 19 June the UK Government introduced into Parliament the Economic Activity of Public Bodies (Overseas Matters) Bill (also known as the Boycotts, Divestments and Sanctions Bill), which is aimed to prevent public bodies from being influenced by political or moral disapproval of foreign states when taking certain economic decisions, subject to certain exceptions. The Bill had its second reading on 3 July 2023 and will extend to LGPS investment decisions, and tPR will be given power to enforce the ban on LGPS administering authorities. During the debate, significant concerns were expressed. The Local Government Association (LGA) has published a technical brief on the Bill, which includes a section on the Bill's effect on pensions and the LGA's view on the Bill. The SAB will be providing written evidence to the Public Bill Committee which will scrutinise the draft Bill.

16. The SAB have published their tenth Annual Report, this provides a single source of information about the status of the LGPS for its members, employers and other stakeholders.

17. The Compliance and Reporting Committee (CRC) is a subcommittee of the SAB and was established following the disbandment of the Chartered Institute of Public Finance and Accountancy (CIPFA) pension panel in 2021. They have five workstreams looking at drafting new or updating existing statutory guidance, being good governance, knowledge and skills, funding strategy statements, audit issues and producing the Annual Report.

18. Following the LGPS Gender Pensions Gap report produced in January 2023, which identified a substantial difference between the average level of pension benefits built up by male and female scheme members, the Board asked GAD to explore the gaps in more detail, focusing on career patterns, differences relating to employers or categories of employers and comparing the analysis with the 2019 report.

19. GAD have provided their findings but concluded there is no simple answer as there appears to be a complex interaction between the types of work women do, their career patterns (including part time working and career breaks) and their ability to progress their careers after taking on childcare or other caring responsibilities. As there is not a settled approach to data and methodological issues which would allow detailed comparisons to be drawn between gender gaps in the different public sector pension schemes, the Board has proposed that GAD puts in place a common reporting framework for all the public sector schemes. This could be worked into the quadrennial scheme valuation process and the Board believes that the relationship between gender pay and pension gaps reporting needs to be addressed to allow for greater transparency and understanding and have set up a small working group to consider next steps.

Pensions Dashboard Programme (PDP)

20. The Department for Work and Pensions (DWP) have laid the Pension Dashboards (Amendment) Regulations 2023 Pension Dashboards (Amendment) Regulations 2023 to remove the phased staging timeline, replacing this with a single connection deadline of 31 October 2026. The regulations allow the DWP and the Money and Pensions Service (MaPS) to

issue guidance setting out a staging timeline for schemes which schemes must have regard to.

21. tPR published a blog 'Make time to get your data dashboard-ready', encouraging schemes to continue working on data to ensure they are ready for dashboards and what they should be considering in preparation. TPR have also amended their guidance following the dashboards reset.

22. PDP published its latest news on dashboards, together with launching a new video introducing the dashboards available point.

23. The PDP commissioned Ipsos to undertake research to help develop consent and authorisation wording for dashboards. The research group covered a range of ages, income levels and pension types and were asked to provide feedback on draft versions of consent and authorisation wording that would appear on dashboards. This explained what the Money and Pensions Service would and would not do with the users' data and asked for consent for these uses. Feedback was positive and will help to further shape the wording.

24. The Pensions Administration Standards Association (PASA) published guidance on value data and aims to give pension schemes 'good practice' approaches to providing value data to the dashboards. The LGPS secretariat contributed to the guidance ensuring it covered specific recommendations for public service pension schemes. PASA have also updated their Dashboards Data Accuracy Guidance.

25. The Pensions Dashboards (Prohibition of Indemnification) Act 2023 will prohibit trustees and managers of occupational and personal pension schemes from being reimbursed out of scheme assets for any penalties imposed on them under the dashboard regulations.

McCloud

26. A further consultation and draft regulations, was launched on 30 May 2023, closing on 30 June 2023, seeking views on:

a) Underpin protection to apply to members who were in the LGPS on or before 31 March 2012 and joined the CARE scheme before 1 April 2022, regardless of whether those former LGPS benefits have been combined or not, providing there is not a disqualifying break (no more than a 5 year break in a public service pension scheme to which the periods relate).
b) Members also qualifying for the underpin if they have previous membership in another public service pension scheme on or before 31 March 2012, even if those former benefits have not been transferred to the LGPS, again providing there is not a disqualifying break.
c) Underpin protection to apply on benefits built up after flexible retirement, providing the member flexibly retired before 1 April 2022.
d) Policies for teachers with excess service.
e) Compensation and interest.

27. The underpin period will be from 1 April 2012 to 31 March 2022 and the regulations are due to come into force on 1 October 2023.

28. The LGA responded to the consultation on 30 June. Main concerns raised are:

a) Lack of lead in time with regulations likely to be finalised and laid late September but effective from 1 October.
b) As a result of the above, pension system software will not be updated by 1 October to undertake calculations to apply the new underpin, leading to increased workload where either these are calculated manually and then revisited and replicated once the system is updated, or processing as is and revisiting as part of the McCloud project.
c) Gathering of information from members who have other public sector pensionable service which has not been transferred, to ascertain if underpin protection applies and then validating this with other public service pension schemes.
d) Draft regulations and His Majesty's Revenue and Customs (HMRC) tax legislation does not currently cover teachers excess service.

His Majesty's Treasury (HMT)

29. HMT published a written ministerial statement and further detail on the cost control mechanism and reformed scheme only design. This confirms only reformed scheme design will be included in the cost control mechanism, any cost increases associated with final salary benefits and the impact of the McCloud remedy will be excluded.

His Majesty's Revenue and Customs (HMRC)

30. HMRC published Pension Schemes newsletter 149, which confirmed schemes can continue to use their current process when paying death grants that may exceed the lifetime allowance (LTA). Within the Budget on 15 March 2023, it was announced pensions administrators would be responsible for liaising with the personal representatives and if the LTA was exceeded, deduct tax as if it were pension income. The process has been withdrawn following concerns raised in a working group.

31. HMRC launched a consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No. 2) Regulations 2023 , which closed on 19 June 2023 and is to supplement The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023, which came into force on 6 April 2023. The first set of regulations modifies various tax legislation, ensuring correct tax treatment is applied following the implementation of the McCloud remedy, the further regulations propose further modifications. The LGA responded and point out the regulations do not deal with tax issues in relation to teachers excess service. HMRC have published guidance on the draft regulations.

32. HMRC published a Remedy newsletter providing information on the draft rectification regulations mentioned above. HMRC also request a named contact from each public service organisation, to set up initial meetings to help developing HMRC's processes in support of the McCloud remedy. They are also looking to publish McCloud remedy guidance.

33. HMRC launched a consultation on abolishing the pensions lifetime allowance from 6 April 2024.

Department for Work and Pensions (DWP)

34. The DWP published a call for evidence on the alternative quality requirement used by defined benefit schemes for automatic enrolment (AE), this is to conclude whether existing requirements continue to be achieved.

35. The DWP published a review of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021, which they agreed to review within 18 months of the regulations being operational. They conclude that the policy intent remains appropriate, however there is concern about applying the regulations and will work with industry and tPR to consider if changes could be made to improve the process without undermining policy intent.

The Pensions Regulator (tPR)

36. tPR published its corporate plan for 2023/24 outlining tPR's key priorities for the year, including working with the Financial Conduct Authority and DWP to develop a value for money framework, launching the new defined benefit funding code, increasing its attention on tackling scammers and supporting schemes to prepare for dashboards.

37. tPR published a review of climate related disclosures by occupational pension schemes. Whilst their review relates to private pension schemes, based on a selection of climate related disclosures published by occupational pension schemes, it contains observations which may be useful for LGPS funds ahead of Task Force on Climate Related Financial Disclosures (TCFD) reporting.

38. tPR published a blog on why ignoring environmental, social and governance (ESG) factors can no longer be ignored.

39. tPR published a blog on protecting savers from economic volatility, reminding trustees to continue to act on their guidance on managing risks in liability-driven investments.

The Pensions Ombudsman (TPO)

40. TPO is expanding its network of volunteer advisers and more information can be found on TPO's website.

Other news and updates

41. The Department for Education (DfE) published their policy for guaranteeing the outsourcing arrangements of academy trusts, which only applies to England. Education and Skills Funding Agency (ESFA) approval is no longer required by academy trusts seeking pass-through arrangements with their administering authority for outsourcing contracts for employees covered by the DfE Guarantee policy.

42. The LGA annual governance conference will be held in York on 18 and 19 January 2024, booking will be open in due course.

43. The LGA are hosting a three-day Fundamentals training course and is mainly aimed at elected members and others who attend Pension Committees and Local Pension Boards. The course provides a scheme overview, current issues relating to administration, investments and governance. The training is available in person in either Manchester or London as well as online sessions over two days. More information on dates and booking can be found in bulletin 240.

44. National LGPS Frameworks intends to launch a new framework for Additional Voluntary Contributions (AVC) services later this year.

45. The Court of Appeal has granted unions permission to appeal against the recent High Court judgement over the government's proposed method of meeting the cost of implementing the McCloud remedy in public sector schemes.

46. The Government announced in a written ministerial statement, the deadline to pay voluntary National Insurance (NI) contributions for the tax years 2006/07 to 2017/18, has been extended from 31 July 2023 to 5 April 2025. This enables individuals to fill in gaps in their NI record to boost their state pension.

Legal Implications

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

48. 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.

Financial Implications

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

Risk Management Implications

50. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**

51. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board.

52. 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

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 7th September 2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 7th September 2023

Chief Officer: Sharon Daniels
Signed on behalf of the Chief Executive
Date: 7th September 2023

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Bola Tobun – Treasury and Pensions Manager
Email: Bola.Tobun@harrow.gov.uk
Telephone 020 8420 9264

Background Papers: None

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LONDON BOROUGH OF HARROW

REPORT FOR:	**Pension Fund Committee**
Date of Meeting:	19 September 2023
Subject:	London CIV and Investment Pooling Update
Responsible Officer:	Sharon Daniels – Acting Director of Finance and Assurance
Exempt:	No - except for Appendices 1, 2 and 3 which are Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as each of these contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	List Ward(s) affected by decision. **None**
Enclosures:	Appendix 1 – Exempt - LCIV Quarterly ACS Report to 30 June 2023 Appendix 2 –Exempt - LCIV Quarterly Private Markets Report to 31 March 2023 Appendix 3 – Exempt – LCIV Fee savings report to 31 March 2023

Section 1 – Summary and Recommendations

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

Recommendations:

The Committee is **recommended** to consider and note the report.

Section 2 – Report

1. The LGPS (Investment and Management of Funds) Regulations 2016 set the framework within which LGPS pension funds are required to manage their investments. They are required to have an Investment Strategy Statement (ISS) – which sets out how the Fund will manage and invest its assets to enable it to meet its Funding Strategy. The Regulations require funds to include in the ISS how they will approach pooling of investments and use collective investment vehicles. Each Fund is required to be a member of a pool.

2. The Government's long term objective is that Funds should work towards a position where all LGPS investment assets are managed via pools – with Funds setting the Strategic Asset Allocation (i.e. deciding on what classes of investments Funds should be allocated - e.g. equities, bonds, etc - and whether they should be managed passively or actively) while the pools will select the asset managers within each category. To this end, the Statutory Guidance (issued in 2016) states that "from 2020, funds should only make new investments outside of a pool in very limited circumstances".

3. The London Collective Investment Vehicle (LCIV) was set up by the London Boroughs in their roles as administering authorities for their respective pension funds. LCIV enables the various Funds to meet the Government's requirements for pooling of investment assets. From the Harrow Pension Fund's perspective, the scale of investments which LCIV oversees enables it to achieve two main benefits.

   i) the lower level of fees which CIV has negotiated,
   ii) access to certain asset classes (e.g. Infrastructure, renewables infrastructure) which a Fund of Harrow's size may not be large enough to access cost effectively on its own.

4. Additionally, during 2021 and 2022, LBH has decided to replace two of its equity managers because of poor investment performance, and the availability of suitable managers / investment vehicles within LCIV removed the need for a specific manager selection exercise and hence reduced our costs and shortened the implementation timetable considerably once the investment decision had been made.

5. The London CIV, whilst owned by the London Boroughs' Pension Funds, is regulated by the Financial Conduct Authority as an investment manager, and

accordingly is required to meet the various regulatory and governance requirements of the FCA. LCIV does not manage the underlying investments directly – rather it has appointed a range of Fund managers in the various asset classes to do that.

6. LCIV has a monitoring framework against which each underlying manager is monitored, which includes reviewing the managers' investment performance, fee levels, asset allocation (to ensure that they are investing in line with the agreed mandate), and approach to ESG matters, including voting and engagement activity.

7. At 3O June 2023, LCIV had over £13.9 billion of assets under management, and a further £2.5 billion of commitments in respect of the various "Private Markets" funds. Their current fund range includes:
   - 8 global equity funds (in addition to the passive funds which are held outside of the CIV)
   - 1 emerging markets equity fund
   - 4 multi asset funds
   - 3 Fixed income funds (2 MAC, 1 Global bonds)
   - 1 Infrastructure fund
   - 1 Renewables Infrastructure fund
   - 1 Private Debt Fund
   - 1 Private Markets
   - 2 property funds

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

9. For regulatory / FCA purposes, most LCIV Funds fall within the Authorised Contractual Scheme (ACS) Structure – this includes the equity, fixed income and multi asset funds. Each investment mandate with LCIV is a separate ring-fenced sub fund within the ACS. The remaining funds are "Private Markets" Funds. These tend to be illiquid.

10. The fund development process includes "seed investor groups" from London Borough Pension Funds which may be interested in the investment being considered. The purpose of these groups is to ensure that mandate development follows a direction which the client funds require and hence will invest in. It is possible to participate in these groups to gain an understanding of how the mandate will develop before deciding or committing to invest. Consequently, officers have participated in a number of these groups, and will continue to do so where these are considering investments likely to be of interest to LBH.

11. LCIV's staffing team continues to evolve – the most significant recent change is the resignation of Chief Investment Officer Jason Fletcher. The new Chief Executive, Dean Bowden has been meeting the Pension Fund Committee Chairs and Lead Officers of each Boroughs to understand their needs and requirements.

12. As reported elsewhere on this agenda, at 30 June 2023 LB Harrow had 49.4% of its investments in LCIV funds, and a further 29.3% in passive funds which are counted as being pooled because the fee arrangements were

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

13. LCIV's most recent performance reports on its investments are enclosed as follows

- **Appendix 1 –** Quarterly ACS Report to 30 June 2023
- **Appendix 2 –** Quarterly Private Markets Report to 31 March 2023 (the illiquid nature of these investments and the more complex valuation process where these are "unlisted" means that the reporting cycle is slower than the more liquid ACS funds.

14. **These appendices are Exempt** as they contain commercially confidential information – hence if Board members wish to discuss these in detail, they can do so in Part 2.

15. A key objective from pooling was to generate savings for client funds through reduced fees payable to managers. The most recent calculation of fee savings (to 31 March 2023) is attached at **appendix 3 – exempt.** Again, if Committee members wish to discuss this in detail they can do so in Part 2.

16. Finally, LCIV is increasing its work in respect of ESG matters – including holding managers to account in respect of their work on voting and company engagement. LCIV will also be a key part of the LBH Fund's ability to meet its Climate Reporting Requirements (TCFD) in due course.

Legal Implications

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

18. 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

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Financial Implications

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

Risk Management Implications

20. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**

21. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board.

22. 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

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

Council Priorities

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

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Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Bola Tobun – Treasury and Pensions Manager
Email: Bola.Tobun@harrow.gov.uk
Telephone 020 8420 9264

Background Papers: None

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