LONDON BOROUGH OF
HARROW

Pension Board Agenda

Date: **Monday 30 October 2023**

Time: **6.30 pm**

Venue: **Virtual Meeting - Online**

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

Chair: **Mr R Harbord**

Board Members:

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

Contact: Andrew Seaman, Senior Democratic & Electoral Services Officer
Tel: 07928 512790 E-mail: andrew.seaman5@harrow.gov.uk

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Useful Information

Joining the Meeting virtually

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

Filming / recording

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

Agenda publication date: Friday 20 October 2023

Agenda - Part I

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

2. **Minutes** (Pages 5 - 8)
   That the minutes of the meeting held on 12 July 2023 be taken as read and signed as a correct record.

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

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

   [The deadline for receipt of public questions is 3.00 pm, Wednesday 25 October 2023. Questions should be sent to publicquestions@harrow.gov.uk

   No person may submit more than one question].

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

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

6. **Pensions Administration performance Monitoring to 30/06/2023** (Pages 9 - 18)
   Report of the Interim Director of Finance and Assurance.

7. **LGPS Quarterly Update and Latest Developments** (Pages 19 - 32)
   Report of the Interim Director of Finance and Assurance.

8. **London CIV and Investment Pooling Update** (Pages 33 - 40)
   Report of the Interim Director of Finance and Assurance.

9. **Draft Pension Fund Annual Report for 2022/23** (Pages 41 - 98)
   Report of the Interim Director of Finance and Assurance.

10. **LAPFF Engagements and Voting for Quarter Ending June 2023** (Pages 99 - 124)
    Report of the Interim Director of Finance and Assurance.

11. **Review of Pension Fund Committee Agenda Items** (Pages 125 - 156)
    Report of the Interim Director of Finance and Assurance.

12. **Work Programme for the remainder of 2023-24** (Pages 157 - 162)
    Report of the Interim Director of Finance and Assurance.

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

14. **Exclusion of the Press and Public**

To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

Agenda Item No	Title	Description of Exempt Information
15	London CIV and Investment Pooling Update – Appendices 1,2 and 3.	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).
16	Review of PF Committee Agenda Items – Appendices 5 and 6.	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).

Agenda - Part II

15. **London CIV and Investment Pooling Update** (Pages 163 - 322)
Appendices 1,2 and 3 to the report of the Interim Director of Finance and Assurance.

16. **Review of Pension Fund Committee Agenda Items** (Pages 323 - 338)
Appendices 5 and 6 to the report of the Interim Director of Finance and Assurance.

Data Protection Act Notice

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

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

LONDON BOROUGH OF HARROW

Pension Board

Minutes

12 July 2023

Present:

Chair:	Mr R Harbord	
Board Members:	Gerald Balabanoff (VC)	Scheme Members' Representative - Pensioners
	Patrick O'Dwyer	Scheme Members' Representative - Active Members
	Dr Simon Radford	Employer Representative – Scheduled and Admitted Bodies
In attendance: (Officers)	Bola Tobun	Treasury and Pensions Manager
Apologies received:	Councillor Pritesh Patel	

45. Declarations of Interest

RESOLVED: To note that no interests were declared.

46. Appointment of Vice-Chair

RESOLVED: That Gerald Balabanoff be appointed as Vice-Chair of the Board for the 2023/2024 Municipal Year.

47. **Minutes**

RESOLVED: That the minutes of the meeting held on 2 March 2023, be taken as read and signed as a correct record.

48. **Public Questions**

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

49. **Petitions**

RESOLVED: To note that no petitions had been received.

50. **Deputations**

RESOLVED: To note that no deputations had been received.

Recommended Items

51. **Pension Board Draft Annual Report 2022-23**

Members were presented with the regular draft annual report, as required by the Board's Terms of Reference, which set out the actions taken by the Pension Board in the year to 31 March 2023 and were invited to make comments before a final version of the report be submitted to Full Council in September 2023.

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

Resolved to RECOMMEND: That the annual report be noted and referred to Council for approval.

Resolved Items

52. **Pensions Administration Update to 31 March 2023**

The Board received a report, outlining the Pension Administration Team's performance for the quarter ending 31 March 2023 and updating Members on a number of other items.

Referencing paragraph 10 of the officer report, the Board expressed their dissatisfaction with the significant delay to resolving the complaint cases referred to the Pension Ombudsman and agreed that the Treasury and Pensions Manager enquires with the Ombudsman's office on the reason for the delay. In addition, the Board requested that an update on the final outcome of the first ill-health retirement case which had been resolved by the Ombudsman be presented to the next meeting.

With regards to the government's investment pooling consultation (paragraph 13 of the officer report), the Board was informed that this had now been published and would be shared with Members for review and comments before the consultation closing deadline on 2 October 2023.

Finally, referencing the statistics in Appendix 1 to the officer report, the Board noted the improvement in performance since the last meeting and commended the pension administration team.

RESOLVED: That the report be noted.

53. Review of Pension Fund Committee Items

The Board received a report which summarised the matters due to be considered by the Pension Fund Committee (PFC) at its forthcoming meeting on 31 July 2023 and was invited to comment.

During the discussion, the following key points were highlighted:

1) The PFC had started work on the Investment Strategy, which was expected to be agreed at its next meeting on 31 July 2023.

2) Funding level had improved compared to last year and currently stood at 112%. However, it was noted that the figure related only to service accrued to date, with the Fund also having to meet significant liabilities in respect of future services. In response to a question, the Board also heard that whilst the value of the Fund appeared to be lower compared to 31 March 2022 (Appendix 1 to the officer report), the liabilities had not changed which in turn placed the assets value in a better position.

3) The Council's statement of accounts was awaiting completion by the auditors, which was expected by the end of July 2023.

RESOLVED: That the report be noted.

54. Review of Pension Fund Risk Register

The Board received a report on the updated Pension Fund Risk Register and was invited to review and comment. The register followed the Council's standard practice and approach to scoring of each risk based on likelihood and impact (Appendix 1 to the officer report) with the key risks highlighted in Appendix 2.

The Board welcomed the report, noting that some of the key risks were outside of the Council's control and, despite having a robust investment strategy and good management practices, mitigations were somewhat limited.

Referencing Appendix 2 to the officer report, the Board also requested that the wording of risk G20 be amended to include "cyber risk" and the categorisation be revised accordingly to reflect the increased risk.

RESOLVED: That the report be noted.

55. Review of Pension Fund Governance Compliance Statement

The Board received a report on the Pension Fund's Governance Compliance Statement and was invited to comment. The Statement, which was last reviewed by the Pension Fund Committee on 19 September 2022, was set out in Appendix 1 to the officer report and would be considered by the PFC at its next meeting on 31 July 2023, subject to any suggested modifications by the Board.

The Board considered the report and accompanying Statement, requesting the following amendments:

- page 56, paragraph 1 (main report) – year in last sentence to be corrected to "2023".

- page 65 (Appendix 1) – the Pension Board was an independent body set up under the Public Service Pension Act 2013, with no Council delegated functions, and as such should be taken off the list and mentioned separately.

RESOLVED: That the report be noted.

56. Pension Board Work Programme 2023-24

Members received a report on the Pension Board Work Programme, which reviewed the Board's work programme to date and invited the Board's comment on the suggested work programme for the remainder of the 2023/24 Municipal Year.

The Board welcomed the report and requested that an update on the outcome of the McCloud judgement be incorporated in the work programme and presented to a future Board meeting.

RESOLVED: That the work programme be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.14 pm).

(Signed) Richard Harbord
Chair

LONDON BOROUGH OF
HARROW

REPORT FOR:	**Pension Board**
Date of Meeting:	30 October 2023
Subject:	Pensions Administration Update with Key Performances
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	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.

Recommendations:

The Board is **recommended** to consider, note and comment on the contents of this report and make recommendations to the Pension Fund Committee if appropriate or if any further action is required.

Section 2 – Report

1. London Borough of Harrow (the Council) is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the London Borough of Harrow Pension Fund (the Fund). The LGPS is governed by statutory regulation.

2. The Harrow Pension Administration Team carries out the operational, day-to-day tasks on behalf of the members and employers of the Fund and for the Council. 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. The team also deals with employer related issues, including new employers and cessation.

Key Activity Summary

Activity / Project Area	Impact on Harrow Pension
McCloud: In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The government has decided that the general principles established will apply to all public sector pension schemes and, therefore, it has consulted on amending the LGPS Regulations. Employers will be required to provide payroll data that will pre date 2014, which may pose challenges.	The Harrow Pension Administration Team will need to undertake a remediation process for all affected members in line with the regulations, LGA and its software providers, to ensure the reformed regulations are carried out within the scheme membership. The potential financial impact has been assumed at the last valuation by Hymans to be 0.5% of the total fund worth. We will work to provide a clearer understanding of the affected members and, more accurate costs in line with the regulatory changes.

Guaranteed minimum pension (GMP) Reconciliation Project: The LGPS guarantees to pay you a pension that is at least as high as you would have earned had you not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. The Harrow Pension Administration is to undertake the rectification of members GMP in line with the HMRC guidance.	The Team is to work with the HMRC to analyse data held on our system Altair and the data held by HMRC, with a view to full rectification by the end of 2023. This work will not only ensure that the fund has accurate member liabilities, but it will also ensure the GMP amounts are correct for our members, resulting in potential over or underpayments, that will be corrected where agreed. Potential cost impact is unknown at this stage.

Membership

3. 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.

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

LB Harrow Pension Fund Member status	31 March 2023	30 June 2023	Change from last quarter
Active	5,558	5,566	8
Deferred	7,036	7,058	22
Frozen	829	819	(10)
Pensioner	6,765	6,705	(60)
Total	**20,188**	**20,148**	**(40)**

Performance

5. The table below shows tasks / case type completed and outstanding as at 30 June 2023 and are categorised as follows:

Case Type	Outstanding March 2023	New Cases	Cases Closed	Outstanding June 2023	% of Completed Case Type
Transfer in quote	4	17	17	4	81.0
Transfer out quote	1	73	71	3	95.9
Age Estimate	1	63	63	1	98.4
Retirement Quote	4	58	57	5	91.9
Refund	1	17	17	1	94.4
Death	1	48	47	2	95.9
Actual transfer in	2	20	20	2	90.9
Actual transfer out	0	32	29	3	90.6
Actual Retirement	2	35	34	3	91.9
Preserved Benefit Estimate	4	75	69	10	87.3

Starters	0	268	268	0	100.0
Leavers	13	329	317	25	92.7
Other	44	1108	1059	93	91.9
Total	77	2143	2068	152	93.2

6. For quarter ending June 2023 the Administration Team completed a total of 2,068 tasks. An average of 93% of all tasks were completed over this period.

Complaints

7. During this period there are no complaints received.

8. There are two ongoing complaints against Clerical Medical (CM).

   i) One regarding a life cover which had expired, Mrs R had not been informed by CM and deductions were being taken, they tried to refund her the money and her argument was that she was under the impression she would have been covered had something happened. Second complaint following her deferment from in profits fund which can only be deferred twice. CM did not send an information factsheet at the time so have given Mrs R a couple of options (this case will more than likely end up with Ombudsman)

   ii) The second complaint was from CC – she complained to the admin team because she did not receive her retirement letter with the breakdown of payments. This was due to postal issue. An email has been sent to her early this month, hopefully this is now resolved.

Pension Ombudsman Appeals

9. The two previous Ombudsman cases are now resolved as stated below:

   i) CG – Following the Ombudsman instruction to re refer CG to Occupational Health, this was done but Tier 1 was not awarded. The admin team and Medigold have both sent this decision to CG.

   ii) BH – Appealed against the decision of rejection of ill Health payment of a deferred Pension. BH reached the pension age in September and started taking his benefit.

10. No new Pensions Ombudsman appeals received in this period.

Update on Log of Breaches (potential breaches)

11. There are no breaches to report, this period.

Guaranteed Minimum Pension (GMP)

12. Reconciliation Project took place in 2016 – audit have picked up some errors which need to be reviewed. All required member data need analysing and recalculated, and any discrepancies or exceptions will be investigated.

13. It is therefore planned at the next Board meeting to propose a rectification approach which will allow the project to proceed on how to treat all affected members, both those who maybe over or under paid.

Annual Benefit Statements (ABS)

14. Administering authorities of the Local Government Pension Scheme (LGPS) are required to provide all scheme members with a yearly benefit statement which shows the current value of pension benefits accrued as at 31 March of the previous financial year.

15. The ABS includes a projection of future benefits, members can expect to accrue until they reach their Normal Pension Age (NPA). This allows scheme members to better plan for their retirement.

16. According to regulations this statement must be made available to members by 31 August each year.

17. Statements for all members (except Harrow active scheme members) were produced and made available to members via MSS portal or through the post. Internal communication has been produced and circulated to inform members that their statement is ready and provide information on how to obtain it.

18. The team produced approx. 3,800 active statements and 7,015 deferred statements; these have been issued in line with the August 31st deadline.

19. Work continues in processing the remainder of over 1,900 ABS for LBH active members, this has been delayed due to the new Harrow payroll system and it is estimated that all the outstanding statements will be issued before 31st October 2023.

McCloud

20. On 17 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent and became law. In mid-July 2022, the Department for Levelling Up, Housing and Communities (DLUHC) provided an update on its work to rectify the "McCloud" age discrimination across all affected public service pension schemes, including the LGPS. In relation to the LGPS the Government's consultation closed at the end of June, with the Government finalisation of the regulations in early September, making it to be into force from 1 October 2023. DLUHC plans to 'establish a guidance working group' with the LGPS Scheme Advisory Board (SAB) to consider what guidance is required, no further update on this at the time of report writing.

21. Starting from 1 October 2023, the LGPS McCloud remedy regulations will be implemented. After this date, the scheme will be required to begin recalculating benefits for affected members according to the McCloud guidelines. The scheme will contact these members directly.

22. Officers have undertaken some preliminary work to identify the affected members ahead of the implementation date. The guidance sets out the

available options administering authorities may consider if they are unable to collect the necessary data to implement the McCloud remedy.

23. It is anticipated that the implementation of the proposed remedial regulations will be both complex and time consuming. Additional resources are likely to be required to undertake this work.

24. Officers will continue to keep the Pensions Committee and the Board informed of developments related to McCloud remedy activities and update on any additional resource requirements when identified.

25. The team will continue to liaise with employers to support employers who have not yet provided the necessary data. For those who are unable to or do not hold the necessary data, SAB has issued a guidance on how to deal with these and it will be factored into the remediation plans.

26. Work is still ongoing with our third-party supplier, who is carrying out data quality checks on all employer returns. After initial assessments it was recognised, key data was missing from some employers. We will have an idea on benefits affected after this has been interfaced.

Pension Dashboard

27. Pension Dashboards are digital services (websites, apps or other tools) which individuals will be able to use to see all their pension information in one place, including their State Pension.

28. The Money and Pensions Service (MaPS) will host its own dashboard on the MoneyHelper website and other organisations will host their own dashboards, subject to approval and regulation by the Financial Conduct Authority (FCA).

29. The Pensions Dashboard Programme (PDP) has been set up by MaPS who are responsible for developing the dashboards ecosystem which enables individuals to view their pension data online.

30. Pension Funds will need to connect with and supply pensions information to dashboards from their scheme-specific staging deadline. Schemes will connect over time according to their type and size. The date dashboards will be launched to the public (known as the “Dashboards Available Point”) will be advised by DWP.

31. The recent announcement in June 2023 has confirmed go live date for the dashboard will be delayed. Whilst a connection deadline has been set for all schemes by 31st October 2026, a transition plan is expected in the coming months, detailing specific dates for all schemes.

32. Whilst there has been a delay, the timeline is not expected to drastically change and therefore, work will continue with data cleansing to support the dashboard readiness. The team will use this extended period to rectify data discrepancies and, further embed data cleansing into day-to-day operations.

Member Self Service (MSS) Roll Out

33. The Member Self Service (MSS) portal is a pension scheme website that members can register an account with to view and edit their personal information as well as running their own retirement estimates.

34. The roll out of MSS continues, take up has been significantly good.

Cost of Living

35. Through various channels such as newsletters, annual benefit statements and by attending wellbeing events where possible, the service continues to provide support and guidance to members and employers, in relation to the current financial climate.

36. The LGA previously requested from all schemes within the LGPS to review their membership and identity any trends where this may have impacted scheme opt outs or moves to the 50:50 scheme.

37. Details of this can be found below and show no obvious links at this stage.

Trends of scheme opt outs or moves into 50/50

Financial Year ending; March:	No. of opt out
2019	208
2020	47
2021	54
2022	87
2023	32
Total	**428**

Financial Year ending; March:	No. into 50/50
2019	9
2020	9
2021	8
2022	11
2023	4
Total	**41**

38. Additional resources required by Fund to focus on GMP, McCloud and related employer bottlenecks.

Legal Implications

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

40. The terms of reference for the Board include the Board's role as set out in the following paragraphs.

41. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and

efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
ii) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
iii) such other matters the LGPS regulations may specify.

42. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

43. In its role, The Board will have oversight of the administration of the fund including:

i) The effectiveness of the decision making process
ii) The direction of the Fund and its overall objectives
iii) The level of transparency in the conduct of the Fund's activities
iv) The administration of benefits and contributions

44. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

45. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

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

Financial Implications

47. 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

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

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

50. 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

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

Council Priorities

52. 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: 16 October 2023

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

Chief Officer: Sharon Daniels
Signed on behalf of the Chief Executive
Date: 16 October 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 Board**
Date of Meeting:	30 October 2023
Subject:	LGPS Update and Latest Developments
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	None
Enclosures:	Appendix 1 - LGPS Pooling Consultation (Next Steps on Investments) LB Harrow Response

Section 1 – Summary and Recommendations

This report provides an update on several general developments affecting the Local Government Pensions Scheme. One of the functions of the Board is to review the Council's duties in respect of the efficient management of the pension fund.
The Board's consideration of the information in the report contributes towards the achievement of their mandatory and statutory duties.

Recommendations:

The Board is **recommended** to consider, note and comment on the contents of this report and the attached Appendix 1; LB Harrow Response to LGPS Pooling Consultation (Next Steps on Investments).

Section 2 – Report

The superannuation contributions adjusted for past experience (SCAPE)

1. 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.

2. 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.

The Department of Levelling Up, Housing and Communities (DLUHC)

3. 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.

4. The London Borough of Harrow Pension Fund submit a response to the consultation and the Fund response is set as Appendix 1 of this report.

5. 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)

6. 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).

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

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

9. 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.

10. 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 the Pension Regulator (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.

11. 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.

12. 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.

13. 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 the Government Actuary Department (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.

14. 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)

15. The Department for Work and Pensions (DWP) have laid the 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.

16. 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.

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

18. 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.

19. 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.

20. 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

21. 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.

22. 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.

23. 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)

24. 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)

25. 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.

26. 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.

27. 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.

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

Department for Work and Pensions (DWP)

29. 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.

30. 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)

31. 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.

32. 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.

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

34. 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)

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

Other news and updates

36. 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.

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

38. 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.

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

40. 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.

41. 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

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

43. The terms of reference for the Board include the Board's role as set out in the following paragraphs.

44. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
ii) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
iii) such other matters the LGPS regulations may specify.

45. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

46. In its role, The Board will have oversight of the administration of the fund including:

i) The effectiveness of the decision making process
ii) The direction of the Fund and its overall objectives
iii) The level of transparency in the conduct of the Fund's activities
iv) The administration of benefits and contributions

47. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

48. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

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

Financial Implications

50. 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

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

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

53. 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

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

Council Priorities

55. 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: 19 October 2023

Statutory Officer: Caroline Eccles
Signed on behalf of the Monitoring Officer
Date: 16 October 2023

Chief Officer: Sharon Daniels
Signed on behalf of the Chief Executive
Date: 19 October 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

LGPS Pooling Consultation (Next Steps on Investments)

London Borough of Harrow (LBH) Pension Fund Draft Response

LBH as administering authority of Harrow Council Pension Fund, welcomes the Government's consultation that is well overdue and in large supports the majority of the proposals, indeed many of the proposals the LBH already does, such as member training and objective setting for consultants.

1. Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

   Yes - Pools have facilitated joint procurement which has led to reduced fees some have complex structures that are expensive to run. Fund Managers have recognised that to be competitive, they need to offer discounts for LGPS client even when dealing outside the Pool. They have achieved this through the use of LGPS Share Classes which aggregate all LGPS AUM irrespective of which Pool they are in and avoid the addition charges incurred if the investment was made via the Pool. A good example of how this works is the JPMorgan Infrastructure Investment Fund which charges c50bps for a global infrastructure mandate, which is much lower than that offered through Pooling.
   The current proposals restrict the ability for individual Funds to capitalise on offers such as these and risk increasing the burden on the public purse by forcing them to invest in products that are sub par as they only have access to those offered by their Pool. Placing these restrictions and complexities is at odds with other parts of Government legislation (eg Procurement Bill) which is aimed at reducing bureaucracy, creating local opportunities and strengthen authorities abilities to manage poor performance all of which is lost if we can only invest via one Pool.

2. Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

   No - No consideration has been given to the cost of transferring assets. Just because assets are liquid does not mean that transaction costs incurred through bid/offer pricing, stamp duty, etc are immaterial. A much more pragmatic way of managing this is to scrap arbitrary dates and focus on strategic decisions that matter e.g., prohibit any new managers being appointed for liquid assets that conflict with the regulations. Funds should be allowed to continue with existing arrangements that demonstrate they achieve better value for money than the options offered by their Pool. Similarly, they should be allowed to invest in strategies that are not offered by their Pool as the proposed regulations could hinder a Fund's ability to meet its strategic objectives and therefore increase the burden on the public purse.

3. Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

   No - Pools and Funds should be given flexibility to enable them to find the most pragmatic way to work together. Guidance should however set out how Pools can interact with Funds outside their Pool including offering them their services which would ensure that there are options available for all Funds to meet their strategic objectives in the most cost effective manner.

   The consultation refers to there being a smaller number of pools in the future - facilitating the ability to invest in the most appropriate pool for your need would enable those pools which deliver real value to flourish and drive further efficiencies. Therefore, if the long term aim of the Government is to have fewer but larger pools they should allow healthy competition to determine how this is achieved rather than introducing other allegiances or politics in determining mergers.

4. Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

   Yes - Committees are responsible for approving Investment Strategies that are worth billions of pounds. As such all Members of the Committee should be adequately trained so that they fully understand the impact of the decisions they are making.

5. Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

   Each Fund will have its own objectives based on its risk appetite, funding level and cash flow and therefore it is not sensible to have a common benchmark to compare one another to. How can you compare a passive equity fund to an active focussed one that enables a high tracking error or has a high income target- they are simply not comparable.

   Furthermore, manager selection has transferred to Pools so if any direction on benchmarks is to be given, this should focus on how Pools compare with one another.

6. Do you agree with the proposals for the Scheme Annual Report?

   Yes

7. Do you agree with the proposed definition of levelling up investments?

Yes - the wording is sufficiently flexible to enable a broad range of investments to be considered.

8. Do you agree that funds should be able to invest through their own pool in another pool’s investment vehicle?

   We fully support the ability to invest in another pool's product however this should be a direct relationship rather than being administered via their own which delivers no value and increases cost and bureaucracy.

9. Do you agree with the proposed requirements for the levelling up plan to be published by funds?

   No as this delivers no meaningful benefits for the Fund. Funds are already expected to publish their plans for Pooling, tackling climate change and many other key metrics.
   Pension Funds are there to serve the best interest of members and local taxpayers not the Government’s own priorities.
   Setting an arbitrary 5% target and setting out plans how this will be achieved conflicts with the statutory guidance for Regulation 7 (2)(c) which states:
   "The appetite of individual administering authorities for taking risk when making investment decisions can only be a matter for local consideration and determination, subject to the aim and purpose of a pension fund to maximise the returns from investment returns within reasonable risk parameters."

10. Do you agree with the proposed reporting requirements on levelling up investments?

    No - see response to Q9.
    The Fund is able to report on its UK investments but does not accept that this should be labelled as “levelling up investments” as it infers it is part of a government agenda rather than generating value for members and local taxpayers.

11. Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

    No - Private Equity investments carry a much higher risk than many other asset classes and therefore any investment should only be made if having taken appropriate investment advice. The amount allocated to such an investment should be based on many factors which include risk appetite; current funding levels; discount rate; a fully diversified portfolio, etc which will be unique to the individual Fund.

Therefore, setting a blanket ambition for all Funds conflicts with Regulation 7(2)(a) Investment Regulations 2016 which states that the guidance does not purport to prescribe the specific asset classes over which fund monies must be diversified. This remains a decision for individual administering authorities to make. Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries.

12. Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

    No - see response to Q11

13. Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

    Yes - LBH already sets these objectives, as per the requirements of the Competition and Markets Authority (CMA).

14. Do you agree with the proposed amendment to the definition of investments?

    Yes

15. Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

    Yes- the proposals seek to restrict further the way individual Funds invest by curtailing the opportunity to invest outside of their Pool. Rather than help deprived areas as referred to in paragraph 110 restricting investing can hinder returns which can result in increased contributions for employers thereby reducing the resources the administering Councils have to support local vulnerable client groups.

LONDON BOROUGH OF HARROW

REPORT FOR:	**Pensions Board**
Date of Meeting:	30 October 2023
Subject:	London CIV and Investment Pooling Update
Responsible Officer:	Sharon Daniels – Interim 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 Annual Review 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 on Preparing and Maintaining an Investment Strategy Statement (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 30 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 update and 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.
- **Appendix 3 –** Annual Review for year ending 31st March 2023

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) can be seen in the table below and also on page 27 of the attached **appendix 3 – exempt.** Again, if Board members wish to discuss this in detail they can do so in Part 2.

	FY16 Mar-16	FY17 Mar-17	FY18 Mar-18	FY19 Mar-19	FY20 Mar-20	FY21 Mar-21	FY22 Mar-22	FY23 Mar-23
Total AUM (£m)	761	8,678	12,455	17,952	16,748	23,769	25,796	25,429
Savings (£k)								
Gross Savings	117	2,486	9,140	15,872	17,236	18,330	24,850	23,898
Net Savings	-2,431	916	4,201	9,186	11,874	12,030	17,852	17,091
Cumulative Net Savings	-2,431	-1,515	2,688	11,873	23,747	35,777	53,629	70,721

Source: London CIV. Data as at 31 March 2023. The assets under management include Client Fund investments in the LCIV ACS funds, as well as the passive products managed by LGIM and BlackRock which do not form part of the LCIV Fund range.

Private markets data is not currently available therefore only ACS and passives are shown.

16. The above cost savings in the Annual review isn't at client fund level. LCIV use the quarterly cost savings reports sent to clients to build the overall figures. The indicative savings for each quarter for Harrow are shown in the table below:

Sum of Quarterly Savings	Q1-2023	Q2-2022	Q3-2022	Q4-2022	Grand Total
Harrow	165,484	113,688	173,529	160,518	613,219

17. 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

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

19. The terms of reference for the Board include the Board's role as set out in the following paragraphs.

20. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

    i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
    ii) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
    iii) such other matters the LGPS regulations may specify.

21. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

22. In its role, The Board will have oversight of the administration of the fund including:

    i) The effectiveness of the decision making process
    ii) The direction of the Fund and its overall objectives
    iii) The level of transparency in the conduct of the Fund's activities
    iv) The administration of benefits and contributions

23. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

24. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

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

Financial Implications

26. 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

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

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

29. 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

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

Council Priorities

31. 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: 19 October 2023

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

Chief Officer: Sharon Daniels
Signed on behalf of the Chief Executive
Date: 19 October 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:	30 October 2023
Subject:	Draft Pension Fund Annual report for 2022-23
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	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 Board is **recommended** to note the draft Pension Fund Annual Report for 2022-23.

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 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**.

3. The audit is again would carry out by Mazars. Their "Audit Strategy Memorandum", which would set out their plan for carrying out the audit of the Pension Fund Accounts is yet to be submitted.

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 and the Board's next meeting on 11 December 2023.

5. The Governance, Audit, Risk Management and Standards (GARMS) Committee has the ultimate responsibility for receiving, considering and agreeing audit plans as well as receiving any reports arising from the audit, they are yet to receive the 2022/23 Accounts, as there is a delay by MAZARS in completing 2021/22 audit combined with the delay in completing the Council's assets valuation work. At the last GARMS Committee meeting, the auditors advised the Committee that the 2022/23 account is set to be audited from December 2023, although we are yet to receive the Audit Strategy Memorandum for this audit work.

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

<u>Fund Revenue Account</u>

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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

27. 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.

28. 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**

29. 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.

30. 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

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

32. The terms of reference for the Board include the Board's role as set out in the following paragraphs.

33. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London

Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
ii) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
iii) such other matters the LGPS regulations may specify.

34. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

35. In its role, The Board will have oversight of the administration of the fund including:

i) The effectiveness of the decision making process
ii) The direction of the Fund and its overall objectives
iii) The level of transparency in the conduct of the Fund's activities
iv) The administration of benefits and contributions

36. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

37. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

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

Financial Implications

39. 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

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

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

42. 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

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

Council Priorities

44. 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: 19 October 2023

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

Chief Officer: Sharon Daniels
Signed on behalf of the Chief Executive
Date: 19 October 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

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 49/50.

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%.

Sharon Daniels
Interim Director of Finance and Assurance
Date - TBC

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.

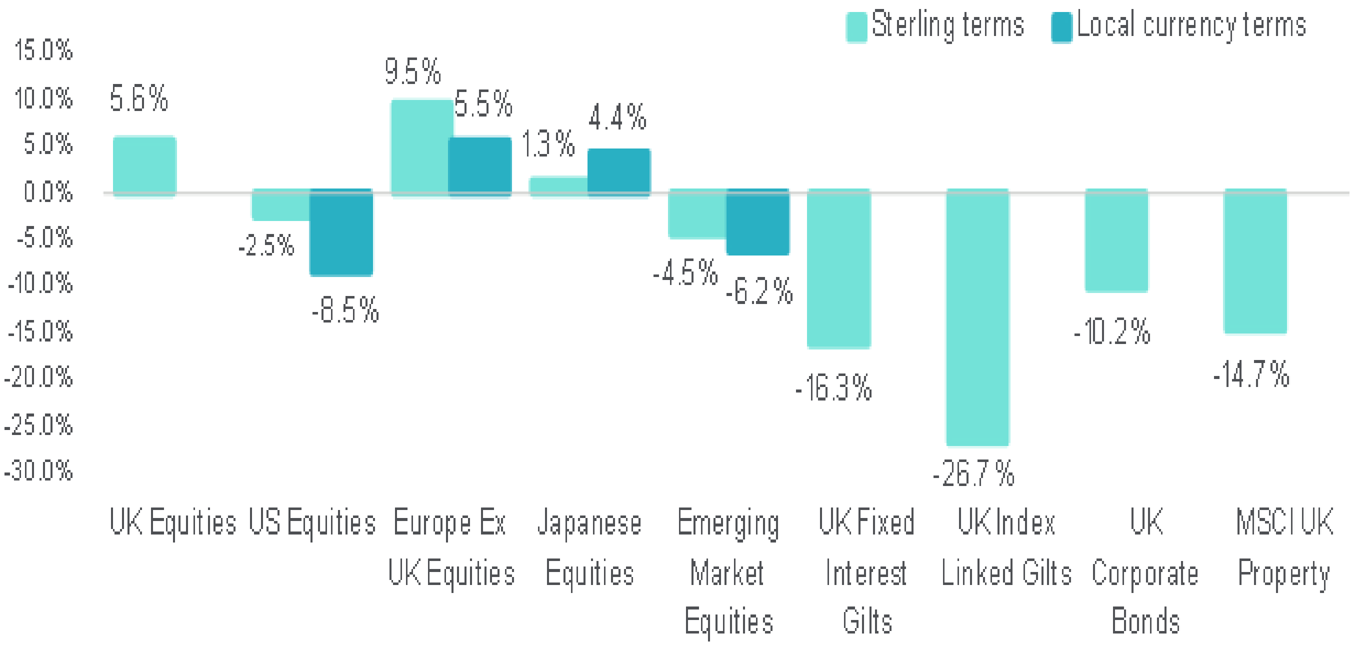
Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 37bps to 167bps. The index declined 10.2% as rising gilt yields and widening spreads outweighed 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



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

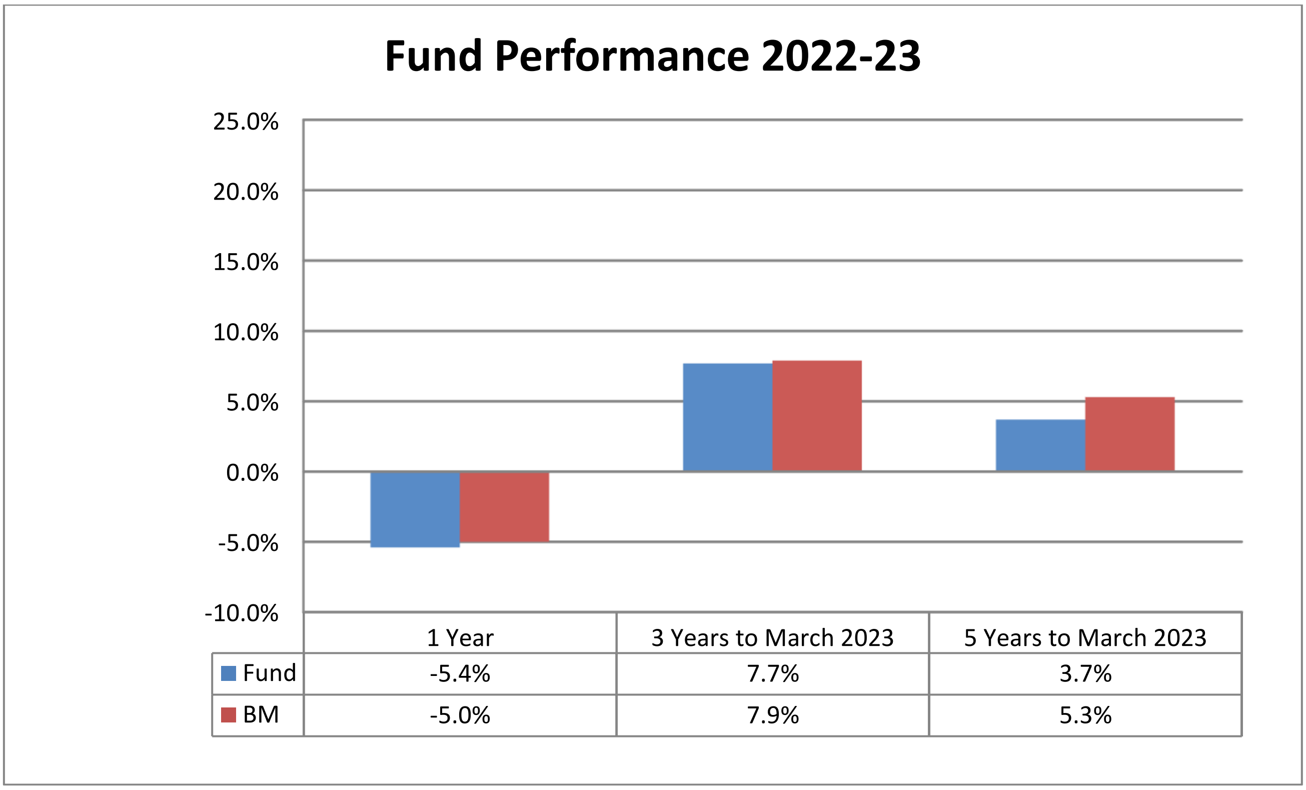
Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	24	24
Developed world equities-active	19	18
Emerging markets equities-active	8	8
Fixed interest securities	5	5
Global Bonds	5	5
Index linked securities	5	5
Private equity	1	1
Cash	1	0
Forward currency contracts	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.



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.

Sharon Daniels
Interim Director of Finance and Assurance
Date - TBC

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.

Sharon Daniels
Interim Director of Finance and Assurance
Date - TBC

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

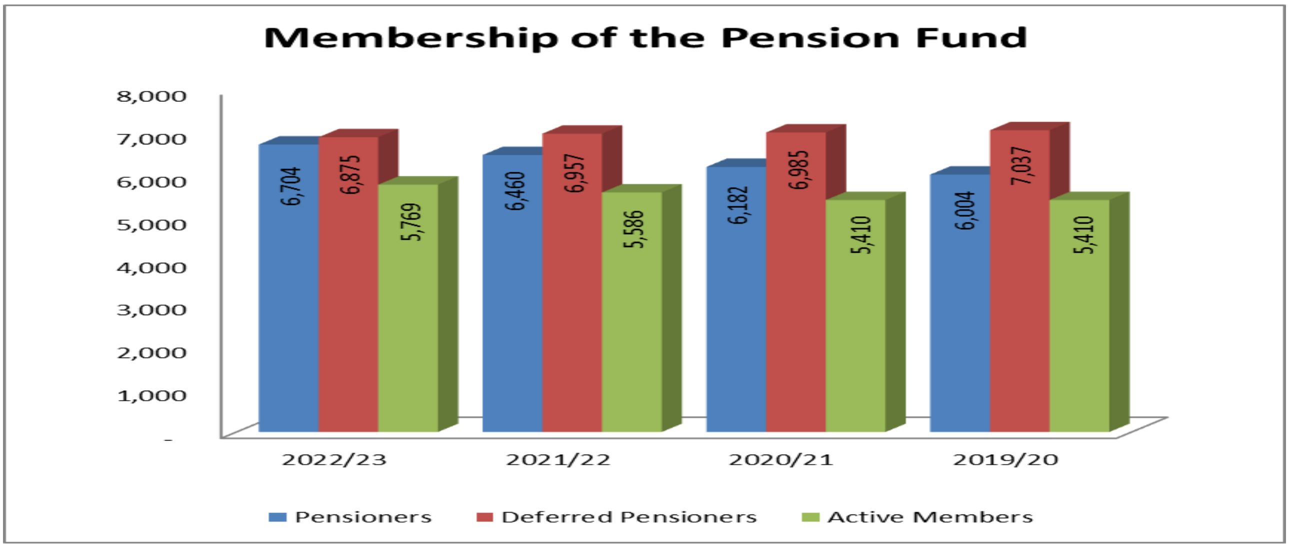
Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

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 2022-23' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

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

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

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

b) Transfers to and from other schemes

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

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

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

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

c) Investment income

i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.

iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

Fund account – Expense items

a) Benefits payable

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

b) Taxation

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

c) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

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

Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 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 2022.	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

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

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)
1,017	Fair value of scheme assets	852
(485)	**Net Liability**	**(268)**

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)	224
3,495		**3,316**

Clerical Medical – Not yet updated for 2022/23 as waiting for report

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

LONDON BOROUGH OF HARROW

REPORT FOR:	**Pension Board**
Date of Meeting:	30 October 2023
Subject:	LAPFF Engagement and Voting for Quarter Ending June 2023
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 - LAPFF Quarterly Engagement Report for April-June 2023

Section 1 – Summary and Recommendations

This report is a summary of various Environmental, Social & Governance (ESG) engagement and voting issues that the Local Authority Pension Fund Forum (LAPFF).
The Fund is a member of LAPFF, a shareholder engagement group that regularly engages with companies to encourage best practice and effect positive change.

Recommendations:

The Board is requested to comment and note the outcomes achieved by LAPFF through their engagement for quarter ended 30 June 2023.

Section 2 – Report

1. The Fund is required to fulfil its fiduciary duty to protect the value of the Fund, with a purpose to meet its pension obligations. Part of this involves consideration of its wider responsibilities in Responsible Investment (RI) as well as how it exercises its influence through engaging as active shareholders.

2. LAPFF is a collaborative shareholder engagement group representing most of the Local Government Pension Scheme (LGPS) Funds and UK Pension Pools, including London CIV. LAPFF engages directly with senior management and company boards to ensure they have the right policies in place to create value responsibly.

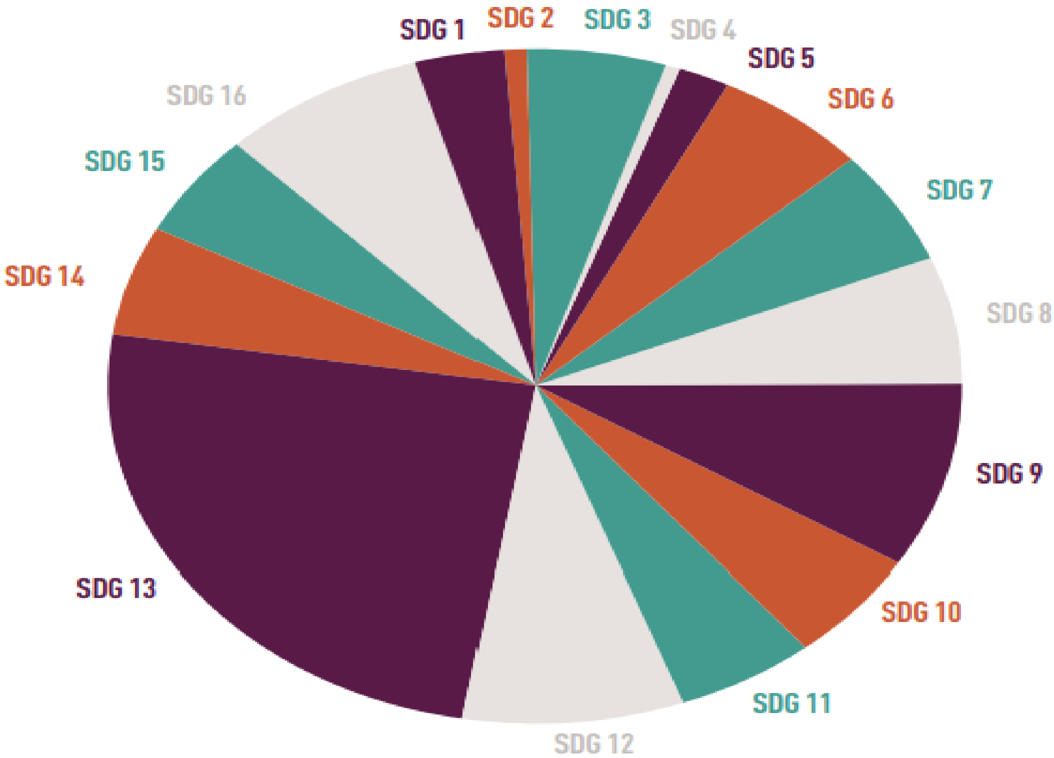
LAPFF Engagement

3. The LAPFF Quarterly Engagement Report can be found at the link below and also attached to this report as Appendix 1. This report details progress on all engagements. Some of the highlights from Q2 are summarised below.
[LAPFF_QER02_2023.pdf (lapfforum.org)]

4. Due to the scale of investment risk and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition. Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale highlights the support for climate action among responsible investors and delivers a strong message to companies on the need for credible climate action policies and plans.

5. The chart below shows how LAPFF engaged over the quarter in relation to the UN Sustainable Development Goals (SDGs).

ENGAGEMENT DATA



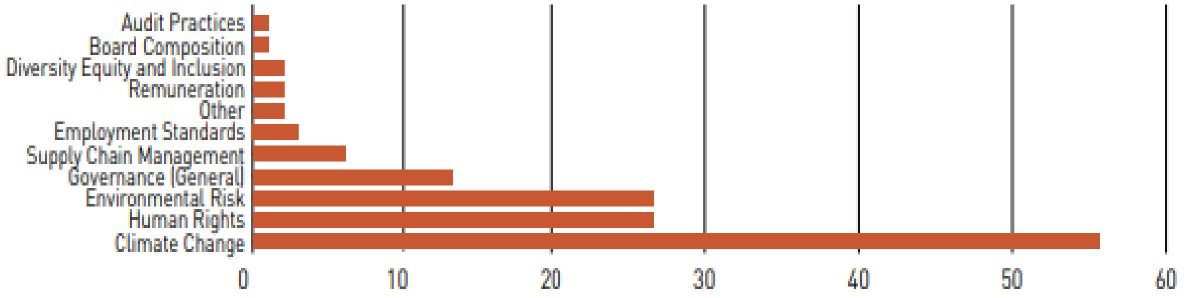
LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	18
SDG 7: Affordable and Clean Energy	16
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
SDG 14: Life Below Water	16
SDG 15: Life on Land	15
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

6. LAPFF has issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, largely supporting ESG shareholder resolutions. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies, who, in LAPFF's experience, do not have a culture of engaging with investors as UK and Australian companies do. None of the technology companies who were issued draft alerts prior provided comments or responses to LAPFF and LAPFF continues to seek ways to engage.

7. During the quarter ending 30 June 2023, LAPFF engaged with 84 companies domiciled across more than 10 jurisdictions. Most of this engagement was related to alerts issued during the quarter.

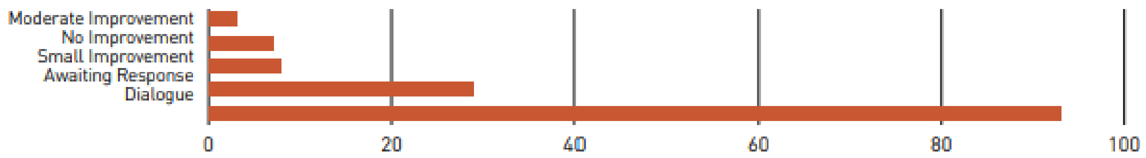
8. The charts below show the breakdown of engagement topics during the quarter.

ENGAGEMENT TOPICS

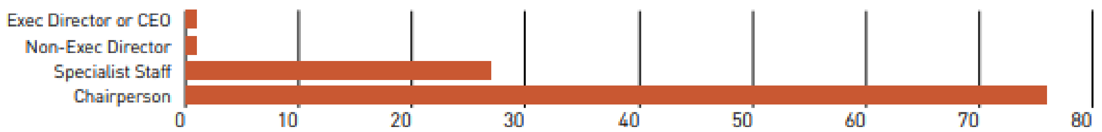


9. LAPFF has been seeking meetings with companies in the oil, banking, mining and garment industries to raise important issues regarding climate, human rights, affected communities and LAPFF's report after their visit to Brazil, remuneration and active companies in the Occupied Palestine Territories (OPT).

MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



10. LAPFF met with Shell's relatively new chair, recommending voting for his re-election as he was elected after the disappointing Transition Plan 2021 and noting that Shell would be presenting a new Climate Transition Plan before the 2024 AGM. LAPFF will engage on the new Transition Plan.

11. After a meeting with HSBC's Senior Independent Director, LAPFF decided to issue a voting alert, recommending voting against the report and accounts because of inadequate human rights disclosures and the need for a broader strategy in response to the increasing integration of Hong Kong into mainland China. Climate disclosure too could be improved. The company has invited LAPFF to a follow up meeting to

focus on human rights, further discussion on climate finance and reporting.

12. LAPFF will follow up with Barclays on governance with one of its main concerns centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier. LAPFF will also engage on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

13. LAPFF has been consistently engaging with community members around the world affected by mining companies' activities, some of them in its recent visit to Brazil. LAPFF has been seeking engagement with the mining companies, raising important issues such as social and environmental impact assessments, practices improvements, their approaches to resettlement of communities and their role in reparations for the communities, as well as engaging them in relation to LAPFF's Brazil report.

14. LAPFF continues questioning Rio Tinto's approach to social and environmental impact assessments, which, in LAPFF's view, need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

15. Anglo American engaged significantly with LAPFF in relation to the Brazil report, with LAPFF including many of the company's useful insights and contributions in it. The Chair stated that the board would commit to visiting community members affected by Anglo American's operations. BHP also provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse.

16. An ongoing area of engagement with Vale has been the time for resettling affected community members following the destruction of their homes in the tailing dam disasters. Vale indicated that, whilst still slow, progress was being made and it continues to learn, in part due to engagement it has had with LAPFF, to improve its practices.

17. LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, with both benefits as well as salary increases. Kingfisher has paid above inflation wage increases for its lowest paid staff.

18. LAPFF also met up with representatives from Bank Leumi, an Israeli bank, to encourage an independent assessment of the human rights impact of their active operations in the OPT. The LAPFF continues to push companies to discuss their approaches to human rights risk management in relation to the OPTs.

19. Home Depot is alleged to have links to Uyghur forced labour in its supply chain. LAPFF asked the company to commit to a human rights assessment report. There was no commitment and LAPFF will be

seeking to organise another call with the company to further discuss their supply chain due diligence.

20. LAPFF met with Next and Adidas, two companies still working in Myanmar, to ask what they were doing regarding human rights risk management and due diligence. LAPFF requested Next to increase disclosure of child labour concerns and remediation practices. Adidas gave comprehensive answers to the questions and LAPFF will continue to monitor how Adidas chooses to publicise its supply chain practices, especially as it is also subject to a letter from the US House Select Committee regarding its cotton supply chain that may have links the Uyghur forced labour.

Collaborative Engagements

21. CA 100+: Toyota - Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. This quarter LAPFF signed a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments and supported a shareholders resolution calling for an annual review and report on the impact on Toyota caused by climaterelated lobbying activities and the alignment of their activities with the goals of the Paris Agreement. During the quarter, LAPFF also met with Toyota and covered proposed US regulations and the company's likely position towards it. Toyota outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

22. Welltower: IIRC - LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with $4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. LAPFF wrote to Welltower, a US-based REIT, seeking a meeting and requesting the company to provide information on exposure levels and oversight mechanisms. As the company had not responded to requests for a meeting and information, LAPFF issued a voting alert and recommended voting against the chair. In total 6.9% of shareholders voted against the chair

23. CA 100+: National Grid – LAPFF is one of the co-leads on National Grid at CA100+ and held several meetings to discuss concerns regarding disclosure and transition plans. The company acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. LAPFF's focus is on their long-term strategy and the role it sees in domestic gas, as its continuous support may explain its reluctance to embrace net zero more fully as well as the company's own vision for improving grid connections.

24. PRI Advance - LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. LAPFF accepted the invitation to become a lead investor in the Vale group given its work in Brazil. It will continue to work with both the Vale and Anglo American groups to engage the companies and push for meaningful human rights improvements.

25. 30% Club Investor Group - LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The Group continues to extend its outreach to companies outside of the UK, with LAPFF set to lead on engagements through the Group's Global Workstream subgroup. LAPFF met with Sanwa Holdings and Kamigumi Co in April, and although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their diversity efforts. Stakeholder Engagement

26. OECD Forum on Responsible Supply Chains - LAPFF presented at a side event of the OECD Forum on Responsible Supply Chains, aiming to share LAPFF's learning from its visit to Brazil and its engagement with stakeholders affected by mining operations. LAPFF was approached by event participants after its presentation, who stated that they were impressed with LAPFF's work in this area and wanted to learn more about LAPFF's experience. LAPFF continues to engage with these contacts and others made through them to explore opportunities to develop this work stream further.

27. Mining Communities and Workers - LAPFF meets with communities affected by mining operations before mining companies AGMs to listen to the communities' experiences, understand better any operational, reputational, legal, and/or financial risks associated with its members' investments and then present questions at AGMs and meetings. LAPFF also meets with trade union representatives and workers to inform its engagements. LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore, where trade union leaders and community members from various countries reported their concerns about Glencore's practices. LAPFF attended a webinar to hear about the Amazon shareholder resolution, to ensure that company practice on human rights and the environment meets community needs to create the conditions for more sustainable shareholder returns.

28. Uyghur Forced Labour in Green Technology Supply Chains - The Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. LAPFF took part in an initial consultation process where Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology.

LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, looking at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at ways to move forward. LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

29. Taskforce on Social Factors - LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator

Legal Implications

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

31. The terms of reference for the Board include the Board's role as set out in the following paragraphs.

32. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- such other matters the LGPS regulations may specify.

33. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

34. In its role, The Board will have oversight of the administration of the fund including:

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

35. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

36. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

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

Financial Implications

38. All material, financial and business issues and possibility of risks have been considered and addressed. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no financial implications to the general fund arising from this report.

Risk Management Implications

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

40. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

41. The Pension Fund will continue to monitor the progress of the voting and engagement work carried out by the LAPFF over the medium and long term, and how this can impact investment decisions.

Equalities implications / Public Sector Equality Duty

42. Was an Equality Impact Assessment carried out? No

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

Council Priorities

44. 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: 19 October 2023

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

Chief Officer: Sharon Daniels
Signed on behalf of the Corporate Director
Date: 19 October 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

Quarterly Engagement Report

April-June 2023

Local Authority Pension Fund Forum

AGM Season, LAPFF Brazil Visit Report, Climate Voting Alerts, BP, Shell

UPDATES

AGM Season

LAPFF is always busy during AGM season, and this year was no different. In addition to attending six AGMs (including the US-based Home Depot's meeting) this quarter, LAPFF drafted a record number of voting alerts. These alerts showcased LAPFF's climate voting alert initiative, for which voting alerts were issued on over 50 climate-related shareholder resolutions.

LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies. These recommendations were prompted by another round of shareholder resolutions at US technology companies covering a range of ESG issues. Notably, Amazon faced 16 resolutions this year, with Alphabet and Meta Platforms each facing 10 and 11 respectively. A couple of LAPFF members even co-filed resolutions on freedom of association and collective bargaining.

LAPFF issued a voting alert for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a whopping 52 percent of the shareholder vote. There were a number of shareholder resolutions on this topic at US AGMs this year, and LAPFF anticipates more during the 2024 season.

Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the Follow This resolutions at BP and Shell. The resolution received nearly 15 percent support at BP and over 20 percent support at Shell. LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

Drax's rhetoric and practices on climate have been a particular concern for LAPFF over the last few years. Consequently, LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

It is interesting to note that while many ESG resolutions, and in particular socially oriented resolutions, gained traction this year, the so-called 'anti-ESG' resolutions aimed at questioning the value of ESG issues in relation to financial performance, appeared to lose ground. LAPFF will continue to issue voting alerts throughout the year as appropriate.

LAPFF Report on Visit to Brazil

As reported previously, LAPFF Chair, Cllr Doug McMurdo, visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam, which has not collapsed but about which surrounding community members have concerns.

The report of LAPFF's findings from this visit has now been made public. A related video is also available.

The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

Cllr McMurdo also met with company

"I knew the visit would be difficult, but I wasn't prepared for the scale of devastation I saw nearly seven years on from the Mariana collapse and three and a half years on from the Brumadinho collapse. Seeing it with my own eyes was a wake up call – investors must do more! It was truly heartbreaking. My main concerns were the issues around water quality and availability and the apparent lack of communication between the companies and the communities. I can't see how there can be meaningful progress until this communication gap is rectified, but it is a tall order. I am also now more convinced than ever that this is an issue of financial materiality."

LAPFF Chair, Cllr Doug McMurdo

VOTING ALERTS

representatives and Brazilian investors during his visit. Vale Chair, José Penido, spent two days showing Cllr McMurdo two resettlement areas in Mariana and the site of the dam collapse at Brumadinho. Cllr McMurdo met with staff at Samarco to understand better how the collapse had happened and measures the company is taking to rectify the problems. JGP Asset Management then organised a meeting of LAPFF, Brazilian investors, and Vale to discuss a sustainable way to rectify the outstanding reparations work. BHP declined to make a representative available to meet with LAPFF in Brazil.

It was clear to LAPFF from these meetings that the companies need to do a better job of communicating to both communities and investors the steps they are taking to address human rights and environmental concerns.

CLIMATE VOTING ALERTS

Objective: Due to the scale of the investment risks and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These alerts recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition.

Achieved: Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale of support highlights the support for climate action among responsible investors and delivered a strong message to companies on the need for credible climate action policies and plans.

Resolutions focused on climate transition plans did well. Almost half (48 percent) of shareholder votes backed a resolution at Quest Diagnostics and over a third at Raytheon Technologies (37 percent), and JPMorgan Chase (35 percent). Similar resolutions received significant support at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

Several resolutions focused on emission targets, including targets that cover all emission scopes, absolute emission reductions targets and Paris aligned targets. There were significant votes on the issue at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Shareholder requests for reports into alignment of direct and indirect lobbying activity with climate goals gained significant backing by shareholders. Cenovus board supported the shareholder proposal which received backing of 99 percent of shareholder votes. Lobbying resolutions were also strongly supported in spite of board opposition at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

This year also saw shareholder resolutions on just transition reporting, a topic which LAPFF has focused on over the past few years. The just transition resolution at BorgWarner received 31 percent of shareholder votes, 27 percent at Amazon and 16 percent at Marathon Petroleum.

In Progress: LAPFF will continue to issue climate voting alerts to support resolutions aligned with LAPFF engagement objectives. LAPFF also intends to follow up with the companies where there were significant votes in favour of shareholder resolutions to understand how the board intends to respond.

MINING VOTING ALERTS

Objective: LAPFF issued voting alerts this quarter for Rio Tinto, Anglo American, Glencore, and Vale. The aim of these voting alerts was to draw attention to both the companies and investors that there is still significant work to do on both human rights and decarbonisation in respect of creating shareholder value for investors.

Achieved: Three of the resolutions for which LAPFF recommended oppose votes at Rio Tinto were related to executive remuneration and the re-election of the sustainability committee chair. These resolutions received the highest number of oppose votes from voting shareholders. The sustainability committee chair is scheduled to step down later in the year because she reached her nine-year limit on the board. However, LAPFF has opposed her re-election since 2021 because she has been in this role since before the company's destruction of Juukan Gorge in 2020. LAPFF also recommended opposing Anglo American's remuneration implementation and policy reports, which received oppose votes at the AGM of over five and four percent respectively.

In addition to issuing voting alerts for Rio Tinto and Anglo American, LAPFF attended the AGMs of these two companies. As with the Rio Tinto sustainability committee chair, the Anglo American sustainability committee chair received a high oppose vote (over six percent). However, unlike his Rio Tinto counterpart, he was not present at the AGM. The Anglo American chair also received an oppose vote of over three percent. LAPFF was quite surprised and disappointed when he requested that people asking questions at the meeting do so only in English, especially given that a number of affected community members had travelled from South America to attend the AGM and ask questions.

The Vale and Glencore AGMs were in Brazil and Switzerland, respectively, so LAPFF was not able to attend. Nearly 22 percent of votes opposed and abstained on Vale's annual report (the vast majority abstaining); LAPFF had recommended an oppose vote on this report in relation to its coverage of the Mariana and Brumadinho tailings dam collapses. LAPFF recommended a vote in favour of the shareholder resolution on climate at Glencore, which received nearly 30 percent support from voting shareholders.

In Progress: LAPFF will continue to engage all of these companies on both their human rights and environmental practices on the basis that improved practice in these areas will set the conditions for sustainable shareholder returns.

COMPANY ENGAGEMENTS

The headquarters of Tesla Motors

TECHNOLOGY VOTING ALERTS

Objective: LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies over the last few years and did so again this year. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement with US companies with which it deems there are ESG or financial concerns. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

Achieved: LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

In Progress: Prior to issuing voting alerts, LAPFF sends the draft alerts to the target companies for comment. If the companies comment, LAPFF includes the company comments in the alert issued to its members. However, none of the technology companies receiving voting alerts provided comments or responses to LAPFF. LAPFF continues to seek ways to engage these companies meaningfully in relation to the issues of concern to LAPFF.

COMPANY ENGAGEMENT MEETINGS

Shell

Objective: LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

Achieved: After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommend voting for his re-election and against the incumbent NEDs that were appointed prior to him.

In Progress: LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. We therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BP

Objective: LAPFF sought a meeting with the CEO to better understand BP's decision to move down its 2030 reduction targets.

Achieved: LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow.
In Progress: Further contact and engagement with the company is ongoing.

HSBC

Objective: LAPFF's aim in engaging with HSBC is to ensure the company continues to show leadership in climate and addresses the human rights concerns arising from the increasing integration of Hong Kong into mainland China. While HSBC has made substantial progress on climate, certain aspects of its strategy need strengthening, in particular over the assessment of credible transition plans when lending. HSBC also faces growing human rights challenges from the increasing integration of Hong Kong into mainland China and has faced criticism for blocking the accounts of activists and the payment of pensions to those leaving Hong Kong. This point relates to shareholder proposals to split the UK and Hong Kong businesses, which have been strongly opposed by management but would be one approach to easing human rights concerns.

Achieved: LAPFF met with the Senior Independent Director to discuss its concerns. On the issue of the company split LAPFF explained that it is prepared to support the company for now, but this issue does link with broader human rights concerns over strategy and involvement in mainland China.

As a result of this meeting, LAPFF decided to issue a voting alert, recommending voting against the report and accounts as the human rights disclosures were inadequate and a broader strategy in response to the changes in Hong Kong is needed. Climate disclosure too could be improved, in particular around credible transition plans.

In Progress: The company has invited LAPFF to a follow up meeting to focus on human rights. LAPFF will seek to explore further with HSBC how it can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective direct control of mainland China, while maintaining a progressive international reputation. LAPFF has also been invited to have further discussion with the company on climate finance and reporting.

Barclays

Objective: The aim of meeting with Barclays was two-fold. The first objective was to ensure continued progress on climate related disclosure and investment, including challenging the company on fossil fuel investments. The second objective was to seek to improve governance, noting CEO appointments have been a long-term issue for the company.

COMPANY ENGAGEMENTS

Headquarters of Barclays Bank in Canary Wharf

Achieved: LAPFF was offered a very late meeting with the Chair, where it expressed its concerns primarily over governance. The discussion centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier, and what that might mean for the analysis and judgement of the Board. Recent press allegations had further heightened our concerns, with suggestions that the Board could have known more. LAPFF was considering issuing a voting alert recommending abstaining on the election of the Chair. However, in light of further discussions with the Chair, the alert was withdrawn.

In Progress: LAPFF expects to follow up with the Chair shortly and will further discuss governance, seeking reassurances and identifying any possible actions. LAPFF will also follow up with Barclays on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

Rio Tinto

Objective: LAPFF was outspoken about Rio Tinto's destruction of Juukan Gorge and has been engaging consistently with communities around the world affected by the miner's activities. Although LAPFF met briefly with Rio Tinto's new Chair, Dominic Barton, at the 2022 Rio Tinto AGM, it had not met with him one-on-one. LAPFF's aim was to have a meaningful meeting with him and ensure that the company is being overseen by an effective chair.

Achieved: LAPFF Chair, Cllr Doug McMurdo, met with Mr Barton toward the end of March to discuss the company's on-going transformation in the wake of Juukan Gorge. The meeting was cordial, and Mr Barton was receptive to LAPFF's thoughts and observations. LAPFF also met with community representatives from the US, Serbia, and Madagascar to hear about their experiences with Rio Tinto. Shortly after meeting Mr Barton, Cllr McMurdo attended the Rio Tinto AGM and posed a question about how the company is seeking to improve its social license to operate.

The morning of the AGM, LAPFF also met with Vicky Peacey, the new head of Rio Tinto and BHP's joint venture, Resolution Copper, in Arizona. Having met with a community representative from Arizona, it was helpful to hear about Resolution Copper's view on the project's developments and its perceptions of community concerns about the project.

In Progress: In addition to continued community concerns about Rio Tinto's engagement with them on social and environmental matters, LAPFF continues to question the company's approach to social and environmental impact assessments. LAPFF's view is that these impact assessments need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

Anglo American

Objective: LAPFF's main objective in engaging with Anglo American this quarter was to obtain the company's views on its report from LAPFF's time in Brazil visiting communities affected by Anglo American's Minas Rio mine. However, as a member of the PRI Advance group on Anglo American, LAPFF also sought to work with the other group members to establish a relationship with the company through that forum.

Achieved: Anglo American engaged significantly with LAPFF in relation to the Brazil report. Part of the engagement included a meeting with operational staff familiar with Minas Rio and with community concerns in relation to the mine and its tailings dam. The company's insights and contributions were extremely useful, and LAPFF was able to include many of them in the Brazil report.

LAPFF also attended the Anglo American AGM after having met community members from Peru, Colombia, and one of the Brazilian community members it had met during its visit. LAPFF's AGM question was whether the board would commit to visiting community members affected by Anglo American's operations during its visits to various Anglo American project sites throughout the year. The Anglo American Chair, Stuart Chambers, stated that the board would make this commitment.

Toward the end of the quarter, LAPFF joined with lead investors, Morgan Stanley and Schroders, to meet with Anglo American through the PRI Advance initiative. The company representatives appeared to welcome the engagement. LAPFF asked about the company's perceptions of why affected community members did not want to meet with local management at Anglo American sites.

In Progress: LAPFF was surprised at the Chair's request that AGM participants ask

COMPANY ENGAGEMENTS

their questions in English given the effort and expense made by the community members in traveling to the UK to attend the AGM. In the PRI Advance meeting, LAPFF asked whether the company would be willing to re-think this requirement at the next AGM. LAPFF will also seek to engage the chair about this decision.

BHP

Objective: LAPFF was pleased that BHP began to respond to LAPFF's request for engagement in relation to Brazil given that the company did not grant a meeting with BHP Brazil during LAPFF's visit. LAPFF's aim was to meet with the company to discuss further its approach to non-operated joint ventures and its community engagement approach, as well as developments in Brazil.

Achieved: The company provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse. Samarco is a joint venture between Vale and BHP, with BHP being the non-operating joint venture partner.

In Progress: LAPFF will continue to try to engage meaningfully with BHP, including in relation to its role in the reparations for the Mariana communities in Brazil affected by the Samarco tailings dam collapse.

Vale

Objective: An ongoing area of engagement with Vale has been the time it has taken for affected community members to be resettled following the destruction of their homes in the tailing dam disasters. Alongside gaining assurances regarding the resettlement process, LAPFF sought to engage the company on other findings in the report from LAPFF's time Brazil.

Achieved: LAPFF met with representatives from the company. Whilst still slow, the company indicated that progress was being made regarding the resettlement process. LAPFF heard how the company was continuing to seek to learn from what happened to improve its practices and that the changes occurring were in part due to engagement it has had with LAPFF. The meeting also discussed the importance of investors spending time with NGOs and communities, as LAPFF did in its visit to Brazil.

In progress: LAPFF will continue to follow the progress of the resettlement projects and engage on issues highlighted in LAPFF's report, including dam safety and water quality.

B&Q DIY store, Kingfisher plc

Kingfisher

Objective: Kingfisher was cited in a Financial Times article as providing above inflation wage increases for its lowest paid staff, in contrast to the vast majority of FTSE100 companies. LAPFF sought a meeting to understand the company's approach to remuneration and employee engagement, particularly in the context of a cost-of-living crisis.

Achieved: LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, looking at benefits as well as salary increases. Overall, Kingfisher described steps it was taking business-wide in this context.

In Progress: LAPFF continues to monitor company remuneration, looking at both CEO and employee pay.

Bank Leumi

Objective: As a part of the Forum's engagement with companies considered to be active in the Occupied Palestinian Territories, LAPFF has sought a meeting with Bank Leumi, an Israeli bank, to encourage the company to undergo an independently led human rights impact assessment, and to better understand the company's approach to human rights in its financing decisions.

Achieved: LAPFF met with representatives from the bank, who were open to dialogue. The Forum pointed out areas it believed disclosures could be enhanced around human rights and how the company managed such risks in its investment decisions. Whilst the company talks about human rights in its reporting, it does not provide any detail on its risk management protocols when looking at investment decisions, and how it manages potential direct and indirect adverse human rights impacts.

In Progress: LAPFF continues to push companies for meetings to discuss their approaches to human rights risk management in relation to the Occupied Palestinian Territories.

COMPANY ENGAGEMENTS

Garment factory workers in Myanmar

Home Depot

Objective: The Home Depot was reported to have alleged links to forced labour in its polyvinyl chloride (PVC) supply chain in the 'Built on Repression' report produced by Sheffield Hallam University. Alongside members from the Investor Alliance on Human Rights Uyghur Working Group, LAPFF met with the company in December and subsequently asked a question at the company's AGM in May.

Achieved: At the AGM, LAPFF asked the company if it would commit to undertaking a mapping of its supply chain in higher-risk areas such as Xinjiang, and whether it would undertake an independently led human rights impact assessment on its PVC supply chain. The company provided a general response on its supply chain due diligence but did not commit to either of LAPFF's requests.

In Progress: Alongside the other investors involved in the engagement, LAPFF will be seeking to organise another call with the company to further discuss its global supply chain due diligence with a focus on its PVC supply chain and Uyghur forced labour.

Next

Objective: Myanmar has been under an extended state of emergency and fraught with a variety of human rights issues since the military coup in February 2021. The Ethical Trading Initiative posted guidance last September for companies in the country's garment sector, with many choosing to exit the country having exhausted efforts to leverage positive human rights outcomes. Next is one of just a few companies still operating in the country, so LAPFF wanted to understand why the company has chosen to stay.

Achieved: LAPFF Executive member, Sian Kunert, met with Next to discuss its position in the country and what it was doing in the context of human rights risk management and due diligence. Sian asked the company representatives if they thought that Next was doing something different from its peers that allowed it to stay in the country and to respect workers' and community members' human rights in doing so. Whether it was safe to carry out audits in the country was also probed. LAPFF requested increased disclosure of child labour concerns and remediation practices.

In Progress: LAPFF will continue to monitor the company's response to the ongoing coup in Myanmar and potential labour rights issues that may arise and affect its approach to human rights.

Adidas

Objective: Adidas is another company that maintains operations in Myanmar. It was also subject to a letter from the US House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour. As with Next, LAPFF was keen to understand why Adidas has decided to maintain operations in the country.

Achieved: LAPFF met with Adidas to discuss these supply chain issues in the context of the company's approach to human rights risk management in its

COLLABORATIVE ENGAGEMENTS

global supply chains. LAPFF Executive member, Sian Kunert, asked questions about the development of the company's human rights policy, its decision to remain in Myanmar, and on its due diligence regarding Uyghur forced labour in its supply chains, which the company provided comprehensive answers to.

In Progress: It is unclear whether Adidas' response to the House Select Committee is something that will be made public. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang.

COLLABORATIVE ENGAGEMENTS

Toyota – CA100+

Objective: Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. It is also a sector in the middle of significant transition, as technology advances and regulations and public policies make EVs more price competitive. Those companies not making the shift and seeking to slow the passage of environmental laws and regulation are therefore creating investment risks associated with not staying within 1.5 degrees of warming and being left behind by competitors shifting to EVs. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. Through the CA100+ transportation group, LAPFF has been seeking to ensure these risks are properly addressed.

Achieved: This quarter LAPFF signed on to a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments, which called on the company to align its strategy and lobbying activity to a 1.5 degree scenario.

Concern about Toyota's lobbying activity led to a shareholder resolution, calling for an annual review and report on the impact on Toyota caused by climate-related lobbying activities and the alignment of their activities with the goals of the Paris Agreement. As part of its climate voting alerts LAPFF supported the resolution.

During the quarter, LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it. The company outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

In Progress: LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

Welltower – IIRC

Objective: LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with $4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. The initiative not only engages with care providers, but also Real Estate Investment Trusts to ensure that they are supporting operators meet expectations on such standards. As part of the initiative, LAPFF wrote to Welltower, a US-based REIT, seeking a meeting. LAPFF also requested the company provide information including on exposure levels and oversight mechanisms.

Achieved: As the company had not responded to requests for a meeting and information, LAPFF decided to issue a voting alert. As set out in LAPFF's policy guide, investee companies are expected to engage with shareholders and LAPFF expects boards to keep in touch with shareholder opinion. Given the lack of engagement from the company and the potential investment risks, LAPFF recommended voting against the chair of the company. In total 6.9 percent of shareholders voted against the chair, which although a minority position does indicate some concern from shareholders with the chair of the company.

In Progress: LAPFF will continue to participate in the IIRC and will follow up with Welltower to engage on the potential social risks facing the REIT.

National Grid – CA100+

Objective: LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. LAPFF is one of the co-leads at CA100+ on National Grid. Despite a positive superficial impression, detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition, continuing involvement in gas distribution without a clear long term transition plan for it, and growing delays in connecting to the grid in UK, affecting the roll out of clean energy in the UK.

Achieved: Several meetings as part of LAPFF's leadership of the group have been held with the company, giving it the chance to explain its concerns and suggest best practice. The company has acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. In our meeting with the Chair, she acknowledged some of our concerns over strategy communication, and therefore LAPFF will expect to see further improvement on this in the coming year.

In Progress: LAPFF's focus is on understanding the company's broader long-term strategy and the assumptions behind it, in particular the role it sees for domestic gas. Continuing support for gas may explain much of its reluctance to embrace Net Zero more fully. Improved strategic disclosure would help address this, including a more balanced discussion of the use of low carbon gas, and the Company's own plans or vision for improving grid connections (ideally with targets) rather than passing the blame to regulators. These areas will form the focus on LAPFF ongoing engagement with the company over the coming year.

COLLABORATIVE/STAKEHOLDER ENGAGEMENT

National Grid gas distribution operations

Vale and Anglo American - PRI Advance

Objective: LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. Both groups are in the process of establishing their engagement strategies, and LAPFF's aim is to contribute its knowledge from its own engagements with both companies to these engagement strategies, and to the engagements themselves.

Achieved: The Vale group held a meeting to establish its engagement strategy, and the Anglo American group held its first meeting with the company. Anglo American appeared to be very receptive to a meeting with the group, and the meeting was cordial. LAPFF contributed content to the questions posed at the meeting.

In Progress: LAPFF has been asked to become a lead investor in the Vale group given its work in Brazil and has accepted this invitation. It will continue to work with both the Vale and Anglo American groups to engage the companies and push for meaningful human rights improvements.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF met with Sanwa Holdings and Kamigumi Co in April. Although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their company wide, and senior level diversity efforts.

In Progress: The Group has continued to extend its outreach to companies outside of the UK, with LAPFF set to lead on engagements through the Group's Global Workstream subgroup.

STAKEHOLDER ENGAGEMENT

OECD Forum on Responsible Supply Chains

Objective: LAPFF was asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil and, more broadly, its engagement with stakeholders affected by mining operations. It was also useful to engage with the other panellists to understand their work and perspectives better.

Achieved: LAPFF was approached by a number of event participants after its presentation. These participants stated that they were impressed with LAPFF's work in this area and wanted to learn more about LAPFF's experience.

In Progress: LAPFF is continuing to engage with these contacts and others made through them to explore

STAKEHOLDER ENGAGEMENT

opportunities to develop this work stream further.

Mining Communities and Workers

Objective: Communities affected by mining operations always approach LAPFF in the run up to mining company AGMs. LAPFF's aim in meeting with them is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. This information then feeds into questions LAPFF poses at company AGMs and company meetings.

Because LAPFF has been engaging with these communities for a number of years now, much of the engagement is focused on updates from community members about mining impacts. However, there are sadly always new communities and new concerns arising from community experiences. LAPFF is keen to learn about the perspectives of these new communities too.

LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

Achieved: LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries reported their concerns about Glencore's practices.

LAPFF attended a webinar to hear about the Amazon shareholder resolution on freedom of association and collective bargaining. There were Amazon workers on the call who spoke about their experiences and views about Amazon's work place practices. This webinar informed the content of LAPFF's voting alert for Amazon.

In Progress: LAPFF is continuing to meet with representatives of all of these communities on a regular basis to obtain updates for company engagements. In LAPFF's experience, the companies are

Uyghur activists and other supporters gathered on Parliament Square

receptive to the information conveyed. The ultimate goal, though, is to ensure that company practice on human rights and the environment meets community needs so that it can create the conditions for more sustainable shareholder returns.

Uyghur Forced Labour in Green Technology Supply Chains

Objective: This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. Within this, Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology, such as electric vehicles and solar panels. The project aims to provide guidance on how investors can address the risk of Uyghur forced labour and other affected peoples in green technology holdings.

Achieved: LAPFF took part in an initial consultation process for the project, looking at the Forum's understanding of forced labour in these sectors. LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, taking an in-depth look at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at potential avenues to move forward.

In Progress: LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

CONSULTATION RESPONSES

UN Working Group on Business and Human Rights

Objective: The UN Working Group on Business and Human Rights ran a consultation this quarter on extractives, human rights, and the just transition. LAPFF has been working heavily in all three of these areas so was keen to share its views and experiences.

Achieved: LAPFF submitted a consultation response that expressed support for good human rights and environmental due diligence legislation and emphasised the need for improved stakeholder engagement by extractive companies. LAPFF welcomed the opportunity to respond, appreciating the consultation's recognition that both state and business actors have imperatives to act effectively on these issues. LAPFF's response called for mandatory reporting on climate plans to cover just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

WEBINARS/MEDIA

In Progress: LAPFF will continue to look for opportunities to respond to consultations when it believes it can contribute helpfully based on its engagement and policy experience.

LAPFF WEBINARS

All-Party Parliamentary Group

In early April, the LAPFF-supported APPG on Local Authority Pension Funds held a meeting with LGPS minister, Lee Rowley MP, accompanied by a senior civil servant from the Department for Levelling Up, Housing and Communities.

The meeting focused in large part on the proposed consultations on LGPS pooling and investment in illiquid assets. The minister indicated the government's preference would be for a voluntary approach to both issues and stated that the pooling consultation would be published in the coming months. On the matter of TCFD reporting, because the department received so many responses to its consultation, it was suggested that reporting requirements may not come into force until the following financial year.

The APPG also met at the end of June to discuss the LGPS and investment in illiquid assets. In the 2023 Budget, the government stated that it would: "Consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets."

On the back of the proposed consultation, the meeting heard from the Karim Palant (director of External Affairs) and Garry Wilson (chairman) of the British Private Equity & Venture Capital Association (BVCA) who highlighted the opportunities of such investment. The meeting also heard from Andrew Williamson of Cambridge Innovation Capital on the growth of venture capital. Sian Kunert, Head of Pensions at East Sussex Pension Fund and LAPFF Executive member, outlined what her fund was already doing and the opportunities and challenges of investing in illiquid assets.

LAPFF/IndustriALL Garment Workers Webinar

LAPFF again partnered with IndustriALL to host a webinar on the importance of concluding negotiated, binding agreements rather than relying on voluntary, business-driven standards to reduce both human rights risk and business risk. The webinar was chaired by LAPFF Vice Chair, Cllr John Gray, and included speakers from Due Diligence Design, Aviva Investors, IndustriALL Global Union, and the Bangladesh Garment & Industrial Workers Federation (BGIWF).

MEDIA COVERAGE

Climate

Financial Times: Only 5% of FTSE100 companies have 'credible' climate transition plans, says EY
Reuters: UK's LAPFF recommends vote for BP climate activist resolution at AGM
CNBC: Oil major BP braces itself for shareholder revolt after scaling back its climate targets
Minuto Mais [Portuguese]: BP to quell shareholder anger after climate strategy flip
Reuters: Shell shareholders urged by LAPFF to back climate activist's resolution
Syndicated in Canada's Financial Post and Globe and Mail
The Times: Climate backlash from Shell investors
The MJ: Shell hits back after council fund criticism
Offshore Technology: LAPFF urges Shell shareholders to back climate resolution
Net Zero Investor: Shell's upcoming AGM showcases the challenges for shareholder activism
CNBC: Oil giant Shell braces for shareholder revolt over climate plans
Reuters: Analysis: Shell faces tense shareholder meeting as profits and climate collide
Capital Monitor: How investors voted on climate change at Big Oil AGMs

Plastics

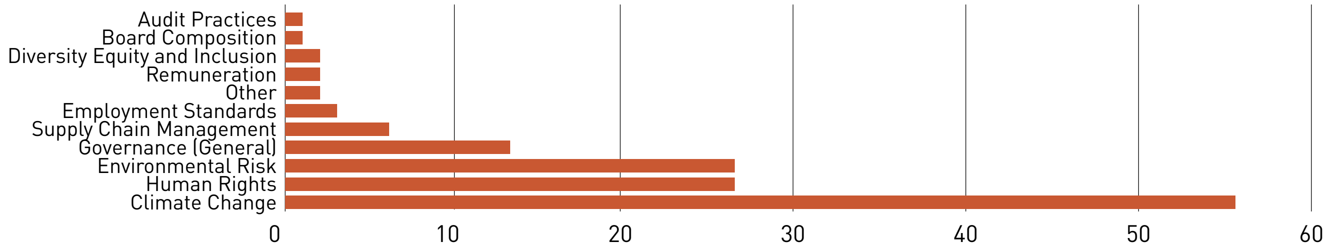
Business Green: Investors sound alarm over weak corporate plastic pollution policies

Mining and Human Rights

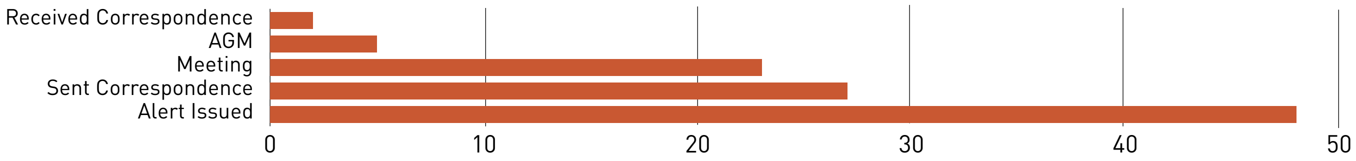
Daily Mail: BHP blasted over clean-up of deadly mine disaster
Legal Future: Supreme Court will not hear appeal on largest-ever group action
The Times: Mindful miner Jakob Stausholm is trying to dig Rio Tinto out of a hole

ENGAGEMENT DATA

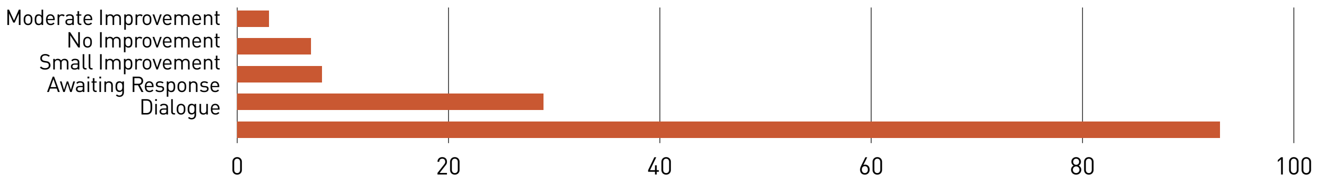
ENGAGEMENT TOPICS



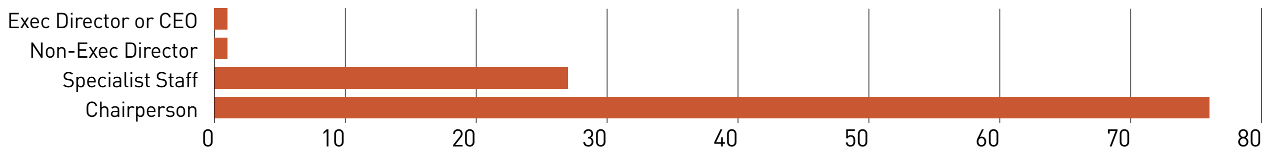
ACTIVITY



MEETING ENGAGEMENT OUTCOMES

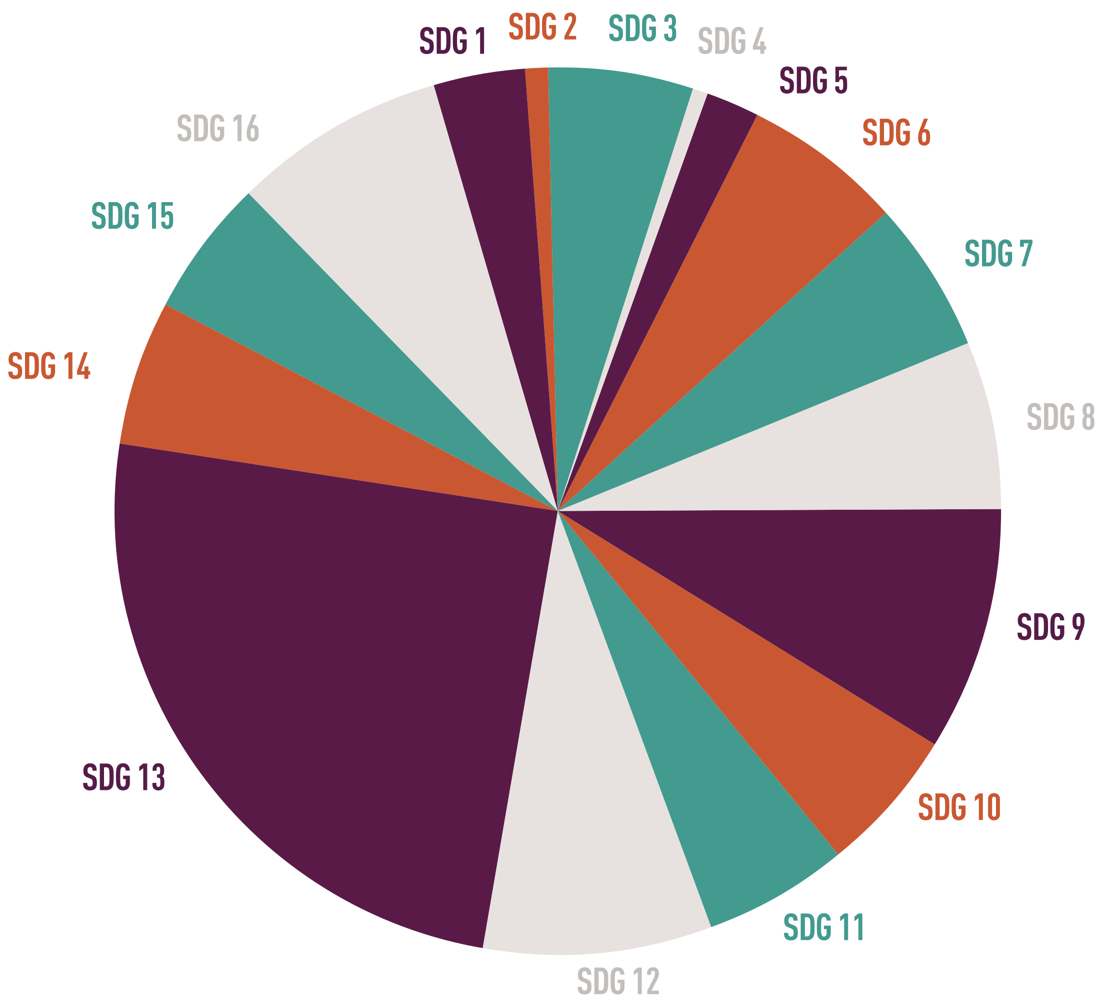


POSITION ENGAGED



COMPANY DOMICILES

ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	18
SDG 7: Affordable and Clean Energy	16
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
SDG 14: Life Below Water	16
SDG 15: Life on Land	15
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

LAPFF engaged 84 companies during the quarter

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Meeting	Supply Chain Management	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMEREN CORPORATION	Alert Issued	Climate Change	Dialogue
ANGLO AMERICAN PLC	AGM	Human Rights	Dialogue
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	Small Improvement
BORGWARNER INC	Alert Issued	Climate Change	Dialogue
BP PLC	Alert Issued	Environmental Risk	Dialogue
BRIDGESTONE CORP	Meeting	Board Composition	Small Improvement
CENOVUS ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Social Risk	Awaiting Response
CHEVRON CORPORATION	Alert Issued	Climate Change	Dialogue
CHUBB LIMITED	Alert Issued	Climate Change	Dialogue
CK HUTCHISON HOLDINGS LTD	Sent Correspondence	Environmental Risk	Awaiting Response
COMCAST CORPORATION	Alert Issued	Climate Change	Dialogue
COSTAR GROUP INC	Alert Issued	Climate Change	Dialogue
COTERRA ENERGY INC	Alert Issued	Climate Change	Dialogue
DBS BANK LTD	Meeting	Climate Change	Dialogue
DOLLARAMA INC	Alert Issued	Climate Change	Dialogue
DRAX GROUP PLC	AGM	Governance (General)	Dialogue
E.ON SE	Sent Correspondence	Social Risk	Awaiting Response
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Social Risk	Awaiting Response
ELECTRIC POWER DEVELOPMENT CO	Alert Issued	Climate Change	Dialogue
ENBRIDGE INC	Alert Issued	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	Dialogue
GLENCORE PLC	Alert Issued	Human Rights	Dialogue
GRUPO MEXICO SA DE CV	Sent Correspondence	Human Rights	Dialogue
GSK PLC	Sent Correspondence	Climate Change	Awaiting Response
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HONEYWELL INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
HSBC HOLDINGS PLC	Alert Issued	Governance (General)	Dialogue
IBERDROLA SA	Sent Correspondence	Social Risk	Awaiting Response
IDEX CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
IMPERIAL OIL LIMITED	Alert Issued	Climate Change	Dialogue
JPMORGAN CHASE & CO.	Alert Issued	Climate Change	Dialogue
KAMIGUMI CO LTD	Meeting	Diversity Equity and Inclusion	Small Improvement
KELLOGG COMPANY	Meeting	Other	No Improvement
KINGFISHER PLC	Meeting	Employment Standards	Moderate Improvement
LINDT & SPRUNGLI AG	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	Dialogue
MARATHON PETROLEUM CORPORATION	Alert Issued	Climate Change	Dialogue
MARKEL CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
META PLATFORMS INC	Alert Issued	Human Rights	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Alert Issued	Climate Change	Dialogue
NATIONAL GRID PLC	Alert Issued	Climate Change	Dialogue
NEW YORK COMMUNITY BANCORP INC	Alert Issued	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
NIKE INC.	Sent Correspondence	Human Rights	Awaiting Response
NINTENDO CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
PACCAR INC.	Alert Issued	Climate Change	Dialogue
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
PUBLIC STORAGE	Alert Issued	Climate Change	Dialogue

COMPANY PROGRESS REPORT

QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	Dialogue
RAYTHEON TECHNOLOGIES CORP	Alert Issued	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	AGM	Human Rights	Dialogue
ROCHE HOLDING AG	Sent Correspondence	Environmental Risk	Awaiting Response
SANOFI	Sent Correspondence	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	No Improvement
SOUTHERN COMPANY	Alert Issued	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	Dialogue
TESLA INC	Alert Issued	Human Rights	Dialogue
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	Dialogue
THE HOME DEPOT INC	AGM	Human Rights	No Improvement
THE MOSAIC COMPANY	Alert Issued	Climate Change	Dialogue
THE TJX COMPANIES INC.	Sent Correspondence	Environmental Risk	Awaiting Response
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	Dialogue
TOKYO ELECTRIC POWER CO INC	Alert Issued	Climate Change	Dialogue
TOTALENERGIES SE	Alert Issued	Climate Change	Dialogue
TOYOTA MOTOR CORP	Meeting	Climate Change	Small Improvement
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Environmental Risk	Dialogue
VALERO ENERGY CORPORATION	Alert Issued	Climate Change	Dialogue
VOLVO AB	Sent Correspondence	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	Dialogue
WELLTOWER INC	Alert Issued	Governance (General)	Dialogue
WH GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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LONDON BOROUGH OF HARROW

REPORT FOR:	**Pension Board**
Date of Meeting:	30 October 2023
Subject:	Review of Pension Fund Committee Items
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Exempt:	No - except for Appendix 5 and 6 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:	Not applicable
Enclosures:	Appendix 1 – The minutes of Pension Fund Committee of 31 July 2023 Appendix 2a & 2b – Fund Valuation as at 30 June 2023 & 31 August 2023 Appendix 3: Investment Dashboard as at 30 June 2023 (Aon) Appendix 4: PIRC Local Authority Pension Performance Indicators to 30 June 2023 (Exempt) Appendix 5 - Executive Summary of Manager Monitoring Report (Aon) (Exempt) Appendix 6 - Report from Independent Advisor

Section 1 – Summary and Recommendations

This report summarises the matters the Pension Fund Committee considered at its meeting of 19 September and invites the Board to review, agree and add comments they might wish to forward to the Pension Fund Committee.

Recommendations:

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

Section 2 – Report

1. The Pension Fund Committee last met on 19 September 2023. The Board only reviewed the items which the Committee considered at its meeting of 31 July 2023 at their meeting of 12 July 2023, the minutes of the Pension Fund Committee is attached to this report as Appendix 1.

2. The Committee's last meeting was on 19 September 2023. The items considered are summarised in the table below. Several of the items are the subject of separate reports to be considered elsewhere on this agenda, providing the opportunity for the Board's comments to be forwarded to the Committee.

3. The list of items considered at the Committee's meeting of 19 September 2023 is as follows:

Report	**Comments**
Part I	
Performance Dashboard and Update on Regular items	The Committee reviewed the position of the Fund at the end of Q2 2023 (30 June 2023), received an update on things which have happened in the reporting quarter and asked to agree a draft work programme of the Committee for the rest of the 2023-24 municipal year.
Review of Draft Pension Fund Annual Report 2022/23	The Committee received the Draft Pension Fund Annual Report for 2022-2023. This item advised that the Fund's assets had decreased by £63m in the financial year. The Fund 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.
Review the Quarterly Local Government Pension Scheme (LGPS) Update and Harrow Pension Administration	The Committee received the Quarterly Local Government Pension Scheme (LGPS) Update and Harrow Pension Administration Update with Key Performances. This item provided Committee with information relating to the administration performance of

Update with Key Performances	the Fund over the last quarter, and an update on latest key LGPS issues and developments.
Part II	
Performance Dashboard and Update on Regular items	The Committee considered comments and reports from the Investment Consultant and an Independent Advisor on investment managers' performance. These reports were considered in part II because of the sensitive nature of investment decisions.
London Collective Investment Vehicle (CIV) and Investment Pooling Update	The item provided an update on the current position on Investment Pooling and Harrow Pension Fund's own pooling arrangements with the London CIV. The "direction of travel" with the London CIV, and their list of funds, given the Mansion House Speech delivered by the Chancellor of the Exchequer 10 July 2023 was also discussed.
Investment Strategy Implementation	This item introduced a number of proposals for discussion, including recommendations to assist the Fund to achieve its new Strategic Asset Allocation and also in meeting its cashflow needs.

4. The Pension Fund's investments were valued at £968.7m at 30 June 2023. The details of the valuation are shown at appendix 2.

5. The value of most of the Fund's investments was broadly stable or increased slightly during the quarter. There were also further drawdowns of the Fund's commitments to the LCIV Infrastructure Fund and the LCIV renewables Infrastructure Fund.

6. The Fund's past service liabilities at 30 June 2023 totalled £796m meaning the Fund was approximately 122% funded. This estimate of liabilities is simply a rolled forward projection based on the 2022 triennial valuation. The estimated funding level has improved since the 2022 valuation. This is driven by the fact that the expected return (discount rate) has increased materially since the valuation largely driven by increasing interest rate expectations. This has reduced the liabilities substantially. The assets have held up well over what was a period of turbulence in financial markets and have not dropped to the same extent as the liabilities – hence the increased funding level. This update is at a single point in time and follows a period of volatility in markets. Further market movements will lead to further fluctuations in funding level.

7. It should be noted also that the 122% 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.

8. At 30 June 2023, the value of the Fund's investments was £969m. At that date, 78.7% of the Fund's investments were pooled or in passive investments which are regarded as being pooled.

Audit of Pension Fund Annual Report and Accounts 2021-22 and Pension Fund Annual Report and Accounts for 2022-23

9. The audit of the Pension Fund Annual Report and Accounts is being carried out by Mazars. As previously reported, this audit is largely complete – there have been no material changes to the draft accounts presented to the Board in October 2022, and only a small number of presentational and disclosure changes to some of the Notes to the accounts. However, the audit cannot be completed until the audit of the Council's own accounts is finalised – the reason for this is that until that happens the auditor is required to confirm that the Pension Fund Annual Report and Accounts align with the Council's main accounts, and there are some technical issues being worked through in respect of the latter. More recently, auditors have taken the view that because the 2022 triennial valuation results are available, the IAS 19 and IAS 26 calculations of pension liabilities have to be updated to use that data (rather than a "roll forward" from the 2019 valuation. This has further delayed the audit. Other LGPS funds and administering authorities are experiencing similar issues. The auditors will be reporting to the next meeting of the Governance, Audit, Risk Management and Standards Committee in November 2023.

Legal Implications

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

11. The terms of reference for the Board include the Board's role as set out in the following paragraphs.

12. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
ii) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
iii) such other matters the LGPS regulations may specify.

13. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

14. In its role, The Board will have oversight of the administration of the fund including:

i) The effectiveness of the decision making process
ii) The direction of the Fund and its overall objectives
iii) The level of transparency in the conduct of the Fund's activities
iv) The administration of benefits and contributions

15. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

16. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

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

Financial Implications

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

Risk Management Implications

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

20. 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

21. Was an Equality Impact Assessment carried out? No

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

Council Priorities

23. 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: 19 October 2023

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

Chief Officer: Sharon Daniels
Signed on behalf of the Corporate Director
Date: 19 October 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

Pension Fund Committee

Minutes

31 July 2023

Present:

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

45. 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.

46. Declarations of Interest

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

47. Appointment of Vice-Chair

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

48. Minutes

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

49. Public Questions

RESOLVED: To note that no Public Questions were received.

50. Petitions

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

51. Deputations

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

52. 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.

53. 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.

54. 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) 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.

55. 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.

56. 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).

57. 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).

58. 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 was recommended to consider the report and:

(1) 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;

(2) 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;

(3) 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

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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Fund Valuation and Performance

March 2023 to March 2024

Asset Class	Value 31.03.2023 £'000	Value 30.04.2023 £'000	Value 31.05.2023 £'000	Value 30.06.2023 £'000	Value 31.07.2023 £'000	Value 31.08.2023 £'000	Allocation 31.08.2023 %	Strategic Allocation %	Strategic Range %
Global Equities									
LCIV - Global Equity Focus Fund	110,100	110,798	109,637	115,020	113,412	113,821	12	10	
LCIV - Blackrock Passive	233,414	235,333	238,232	242,917	249,547	246,651	25	24	
LCIV - Sustainable Equity Fund	67,704	67,526	66,645	67,623	68,868	67,854	7	8	
LCIV - Emerging Market Equity Fund	73,527	71,192	70,923	71,583	73,031	70,004	7	8	
Record passive currency hedge	13,747	5,033	3,343	7,722	4,840	2,719	0		
Total Global Equities	498,492	489,883	488,779	504,865	509,698	501,049	**51**	**50**	**45-55**
							Inc Hedging		
Diversifying Return Assets									
Diversified Growth Fund - Insight	66,873	67,511	67,290	67,807	68,858	68,082	7	5.5	
Property - LaSalle	59,898	59,796	59,637	59,875	59,713	59,623	6	6	
Renewables - LCIV Renewables Fund	22,370	24,633	24,633	26,017	26,202	26,202	3	5	
Infrastructure - LCIV Infrastructure	50,091	52,691	52,691	53,120	55,196	55,196	6	7.5	
Private Equity - Pantheon	4,052	3,985	3,985	3,985	3,985	3,798	0	1	
Total Diversifying Return Assets	203,285	208,616	208,235	210,804	213,954	212,902	**22**	**25**	**20-30**
Risk Control Assets									
Bonds - Blackrock - FI Corp	46,539	45,824	43,848	43,398	44,842	44,478	5	5	
Bonds - Blackrock - IL passive LCIV (Aquila)	44,225	42,161	39,319	40,785	40,527	39,913	4	5	
Alternatives - LCIV Alt Credit Fund	98,277	99,729	100,222	101,407	100,617	103,678	11	10	
Bonds - LCIV Global Bond Fund	43,613	43,463	43,612	43,651	43,593	43,867	5	5	
Total Risk Control Assets	232,654	231,177	227,001	229,241	229,579	231,936	**25**	**25**	**20-30**
Cash & NCA									
Cash Managers (Blackrock)	10,915	10,953	10,991	11,033	11,074	11,120			
Cash NatWest	7,672	13,329	11,199	9,022	6,492	6,513			
Cash Custodian (JP Morgan)	27	792	794	794	5,598	5,600			
Blackrock Dividends (Pending Reinvestment)	491	491	1,018	1,025	7	549			
Debtors and Creditors	1,135	2,383	3,942	1,799	1,246	1,392			
CIV Investment	150	150	150	150	150	150			
Total Net Current Assets	20,390	28,099	28,094	23,822	24,568	25,325	3	0	
Total Assets	954,822	957,774	952,110	968,733	977,799	971,212	100	100	
Assets Pooled									
- LCIV Funds	48.8%	49.1%	49.2%	49.4%	49.2%	49.5%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	29.1%	29.0%	29.2%	29.3%	29.7%	29.5%		29.0%	
Total % Pooled	77.8%	78.0%	78.3%	78.7%	78.8%	79.0%		82.5%	

Invested Directly in funds managed by LCIV	480,623
Invested in Funds classed as Pooled with LCIV	286,564
Invested with Other Fund Managers	178,700
Cash/Other Assets held by Fund	25,325

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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	Assets	Liabilities
122.5%	**£975m**	**£796m**
Qtr ▲ 10.1%	Qtr ▲ £19m	Qtr ▼ £55m

Source: Hymans Robertson

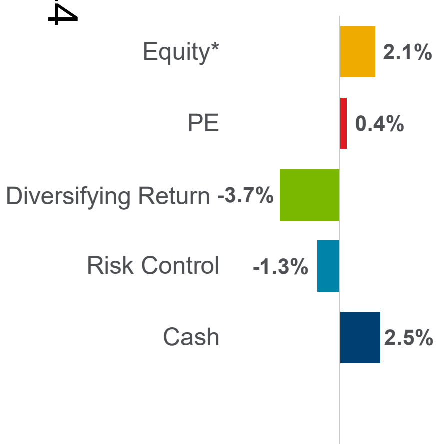
Yields

	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%

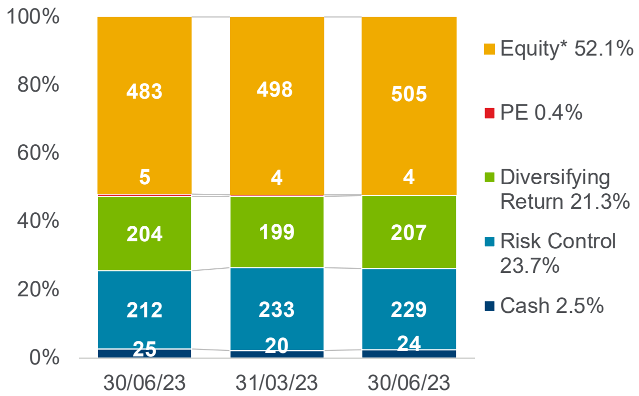
Source: Aon

Asset Allocation

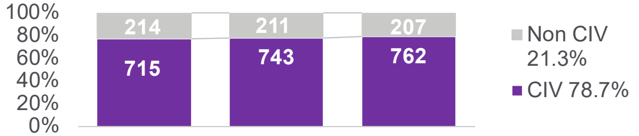
R ve to strategic



Absolute



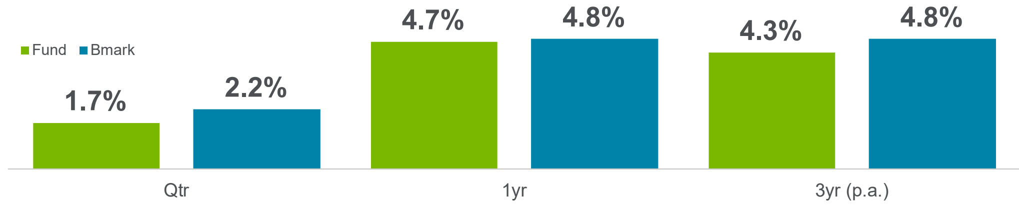
London CIV



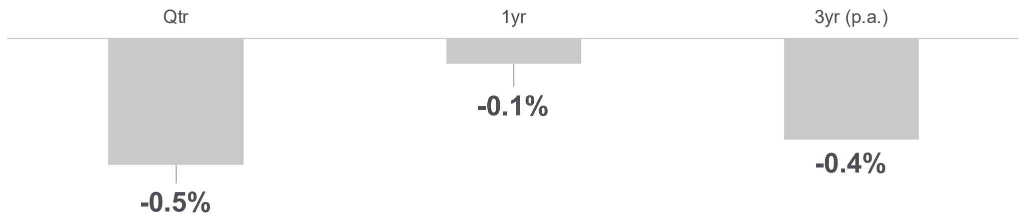
Source: London Borough of Harrow Pension Fund Officers

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

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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*
Overview	**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**

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.

PIRC

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.

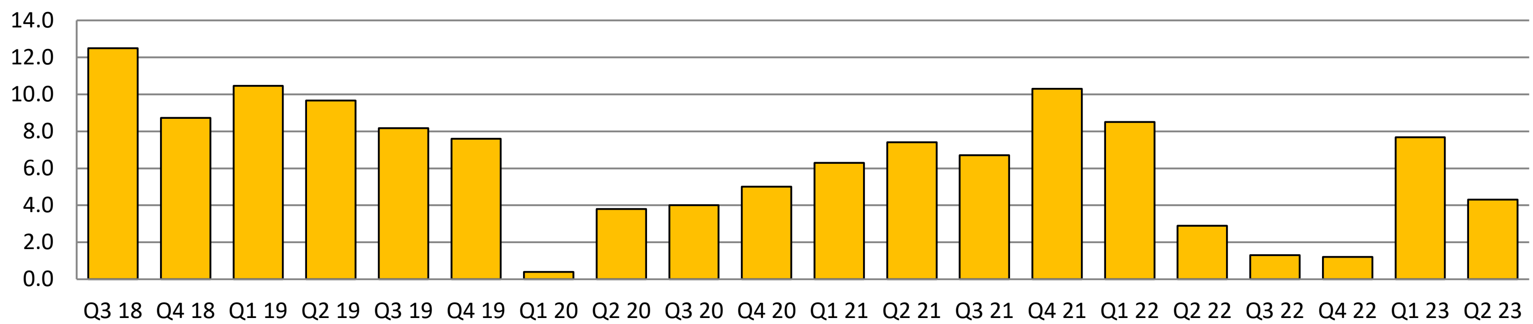
Last 5 Year Performance

% 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.

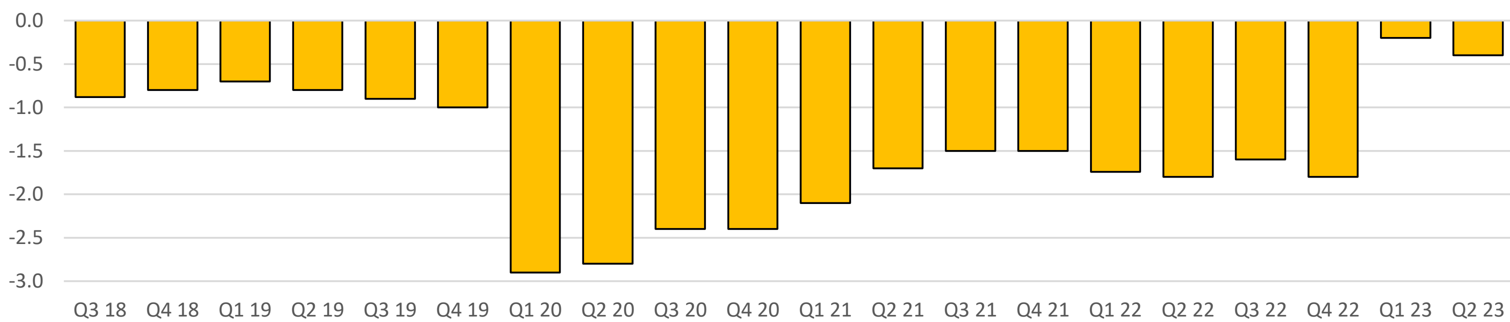
Rolling Three Year Returns

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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LONDON BOROUGH OF HARROW

REPORT FOR: Pension Board

Date of Meeting:	30 October 2023
Subject:	Pension Board Work Programme 2023-24
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	None

Section 1 – Summary and Recommendations

This report reviews the Pension Board's work to date, lists the forthcoming meeting dates and invites the Board to comment on a suggested work programme for the remainder of the 2023-24 Municipal Year.

Recommendations:

The Board is requested to comment on the proposed work programme for the remainder of 2023-24 and note the meeting dates.

Section 2 – Report

1. The Pension Board meets quarterly. This is the Board's second meeting of the 2023-24 municipal year.

2. The Pension Fund Committee had a meeting on 19 September 2023 and the next meeting will be held on 21 November 2023, Details of the items had and to be considered are elsewhere on this agenda.

3. For Board members' information, dates for meetings of the Board and of the Pension Fund Committee for the remainder of 2023-24 are as follows:

    - Pension Board
        - 11 December 2023
        - 18 March 2024

    - Pension Fund Committee
        - 21 November 2023
        - 12 March 2023

4. A suggested work programme for the remainder 2023-24, indicating (where applicable) the likely timing of items, is shown in the table below. The Board should note that delays with the audit of the 2021-22 accounts reported elsewhere on this agenda have made it necessary to defer that item until the next meeting. Further items will be added as required.

Matter for Consideration	Board Meeting
Items for consideration at each meeting (all years)	
Pensions Administration – Performance monitoring	Quarterly report – to include updates on Scheme Advisory Board and any Regulatory matters not requiring a separate report.

Pension Fund Dashboard including Long term cashflow and funding	Quarterly report - Considered in review of PF Committee minutes quarterly
Latest Pension Fund Committee Meeting - Summary of Reports and actions	Quarterly report
2023-24 Items	
Annual Report and Financial Statements for year ended 31 March 2023	• Oct 2023 – Draft Annual report • Dec 2023 - external audit plan • Sept 2024 - Audit outcome
Annual Report and Financial Statements for year ended 31 March 2022 – outcome of audit.	December 2023 – to review the external auditor's report on the accounts. • Dec 2023
Review of Pension Fund Risk Register	• Mar 2024
Regulatory Updates	Ad hoc – as changes occur. Two items expected are - Revised LGPS Regulations for implementing McCloud - Consultation paper about LGPS Investment (covering pooling and the "Levelling Up White Paper".
Review of Fund Policies	Continuing to Prepare for the implementation of the Good Governance Review
Investment Strategy Statement	This will be updated when the Strategy review is completed – target November 2023
London CIV and Investment Pooling Update	March 2024

Legal Implications

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

6. The terms of reference for the Board include the Board's role as set out in the following paragraphs.

7. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:

- securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
- securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- such other matters the LGPS regulations may specify.

8. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

9. In its role, The Board will have oversight of the administration of the fund including:

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

10. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.

11. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.

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

Financial Implications

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

Risk Management Implications

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

15. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

Equalities implications / Public Sector Equality Duty

16. Was an Equality Impact Assessment carried out? No

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

Council Priorities

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 19 October 2023

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

Chief Officer: Sharon Daniels
Signed on behalf of the Corporate Director
Date: 19 October 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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