



# Pension Fund Committee Agenda

**Date:** Monday 31 July 2023

**Time:** 6.30 pm

**Venue:** Meeting Room 4, First Floor - Harrow Council  
Hub, Forward Drive, Harrow, HA3 8LU

## Membership (Quorum 3 Councillors)

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<b>Chair:</b>	Councillor David Ashton
<b>Conservative Councillors:</b>	Norman Stevenson
<b>Labour Councillors:</b>	Jerry Miles Nitin Parekh
<b>Non-Voting Co-optee:</b>	To be appointed
<b>Trade Union Observer(s):</b>	Vacancy – UNISON Ms P Belgrave – GMB
<b>Independent Advisers:</b>	Mr C Robertson Honorary Alderman R Romain

## Reserve Members:

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<b>Conservative Reserve Members:</b>	1. Kanti Rabadia 2. Amir Moshenson
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<b>Labour Reserve Members:</b>	1. Asif Hussain 2. Natasha Proctor
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**Contact:** Kenny Uzodike, Senior Democratic and Electoral Services Officer  
E-mail: [kenny.uzodike@harrow.gov.uk](mailto:kenny.uzodike@harrow.gov.uk)

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

Please:

- (1) Stay seated.
- (2) Access the meeting agenda online at [Browse meetings - Pension Fund Committee](#)
- (3) Put mobile devices on silent.
- (4) Follow instructions of the Security Officers.
- (5) Advise Security on your arrival if you are a registered speaker.

## Filming / recording

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**Agenda publication date: Friday 21 July 2023**

# Agenda - Part I

1. **Attendance by Reserve Members**  
To note the attendance at this meeting of any duly appointed Reserve Members.
2. **Declarations of Interest**  
To receive declarations of disclosable pecuniary or non-pecuniary interests, arising from business to be transacted at this meeting, from all Members present.
3. **Appointment of Vice-Chair**  
To consider the appointment of a Vice-Chair to the committee for the 2023/24 Municipal Year.
4. **Minutes** (Pages 5 - 14)  
That the minutes of the meeting held on 29 March 2023 be taken as read and signed as a correct record.
5. **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, 26 July 2023. Questions should be sent to [publicquestions@harrow.gov.uk](mailto:publicquestions@harrow.gov.uk)**  
**No person may submit more than one question].**
6. **Petitions**  
To receive petitions (if any) submitted by members of the public/Councillors.
7. **Deputations**  
To receive deputations (if any).
8. **Performance Update on Regular Items** (Pages 15 - 42)  
Report of the Director of Finance and Assurance.
9. **Review of Pension Fund Governance Compliance Statement** (Pages 43 - 60)  
Report of the Director of Finance and Assurance.
10. **Review of Pension Fund Risk Register** (Pages 61 - 76)  
Report of the Director of Finance and Assurance.
11. **Any Other Urgent Business**  
Which cannot otherwise be dealt with.
12. **Exclusion of the Press Public**  
To resolve that the press and public be excluded from the meeting for the following items of business for the reasons stated.

<b>Agenda Item No</b>	<b>Title</b>	<b>Description of Exempt Information</b>
13.	Performance 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 – Report & Appendices 1&2	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information)).

## **Agenda - Part II**

13. **Performance Update on Regular Items** (Pages 77 - 88)  
Report of the Director of Finance and Assurance.
14. **Review of Investment Strategy** (Pages 89 - 136)  
Report of the Director of Finance and Assurance.

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

### **Data Protection Act Notice**

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

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



# Pension Fund Committee

## Minutes

### 29 March 2023

**Present:**

**Chair:** Councillor David Ashton

**Councillors:** Nitin Parekh Krishna Suresh  
Norman Stevenson

**Independent Advisers:** Mr C Robertson Independent Adviser

Honorary Alderman R Romain Independent Adviser

**Others:** Richard Harbord Chair of Pension Board

**In attendance (Councillors):** Councillor Pritesh Patel

**Absent:** Pamela Belgrave GMB

**29. Attendance by Reserve Members**

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

**30. Declarations of Interest**

**RESOLVED:** To note that Councillor Norman Stevenson, a member of the Committee, declared a non-pecuniary interest in that he was presently a Director of Cathedral Independent Financial Planning Ltd., and that he had clients who were past and present members of the Harrow Pension Scheme.

His wife was a member of Harrow Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

**31. Minutes**

That the minutes of the meeting held on 23 November 2023, be taken as read and signed as a correct record.

**32. Public Questions**

**RESOLVED:** To note that no Public Questions were received at the meeting.

**33. Petitions**

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

**34. Deputations**

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

**35. Performance Dashboard and Update on Regular Items**

The Committee received the report which provided updates on regular items as follows:

- Draft work programme for 2023-24.
- The investment and management performance dashboard report summarising key fund performance and risk indicators and PIRC Performance Indicators. This was reviewed and an Independent Adviser commented that the methodology underlying the PIRC report meant at least some of the report was rather meaningless. It was agreed this should be pursued.
- Fund performance to 31 December 2022 and 31 January 2023 and updates on the Pension Board and Audit of the Annual Report and Accounts for 2021-22.

The officer also gave the following highlights:

- On the quarterly update draft work programme 2023-24, The officer explained that dates for future meetings of the Committee in the 2023-24 municipal year were yet to be agreed and the Committee would be updated accordingly.
- The paper on the Investment Strategy Review had recommended a detailed session to draw out the Committee's preferences for developing the strategy ahead of the June Committee meeting. Also, advised that the Committee may consider having a "manager review day" this year. The

Chair and Members were quite keen and felt that “a manager review day” would be quite useful. The officer agreed to look at possible dates for the session.

- He further explained that the investment dashboard showed that the Pension Fund’s estimated Investment Funding Level of 112% as at 31 December 2022 and the fund assets (£928m) and liabilities (£825m). He explained that this was due to the fact that the increase in interest rate expectations had reduced the valuation of the liabilities while the value of the assets had increased. The value of the investments had since increased to just under £950M by end of February. He advised that there had been some volatility in March due to the impact of bank failures in USA and the takeover of Credit Suisse by UBS.
- There were a number of small consultations from the government since December. The anticipated major consultation on Pooling was yet to occur. It was expected that the government may be mandating stricter requirements on Pooling.
- The audit of the Fund’s draft Annual Report and Accounts for 2021-22 was being carried out by Mazars. This audit was largely complete – there had been no material changes to the draft accounts presented to the Committee in October 2022. However, the audit could not be completed until the audit of the Council’s own accounts was finalised – the reason for this being that the auditor was required to confirm that the Pension Fund Annual Report and Accounts aligned with the Council’s main accounts, and there were some technical issues being worked through in respect of the latter. Other LGPS funds and administering authorities were experiencing similar issues.
- Investment activity during this quarter involved rebalancing the asset allocation towards the benchmark by selling equities and buying index-linked gilts and corporate bonds. It also involved funding drawdowns for the London CIV Infrastructure Fund and the LCIV Renewables Infrastructure Fund through a mixture of cash and withdrawal from the Insight fund.
- A Member asked and received clarification on CARE benefits as detailed in Paragraph 28 on page 21 of the agenda.
- Members asked about the impact of the banking crisis in the US and the Aon representative made the following comments. Concerns about inflation had led central banks to raise interest rates aggressively from 0% to 4%-5%. This was a very big and unexpected adjustment and had led to concerns about recession and caused disruptions, notably in the banking sector and especially with banks which had mismatched liabilities and assets. Steps the regulators have taken in the USA have been encouraging, including guaranteeing deposits at SVB and HSBC buying some parts of the operation. The rescue of Credit Suisse had an impact on Additional Tier 1 bonds but generally the problems seemed contained at present although the situation was being closely watched. The fund had some exposure to the banks concerned. The officer explained that the fund had specific exposure in the fixed income markets – the London CIV Alternative Credit

Fund (which is the CQS MAC Fund) had a meaningful exposure to Credit Suisse Additional Tier 1 bonds. PIMCO had a smaller exposure but was unable to provide specific details at this time. The bigger risk was a wider contagion from recent events.

- The chair advised that the impact of the problem with Credit Suisse should not be underestimated.
- An Independent Adviser explained that one cause of weakness in financial markets was a loss of confidence in central banks and their ability to cope with high inflation.
- An Independent Adviser asked if valuations would be adjusted to reflect the eradication of the Fund's bank Additional Tier 1 holdings. The officer explained that The London CIV would advise as to write offs by fund managers but presently only Credit Suisse bonds were being written down to zero.

**RESOLVED** that:

1. that the performance and investment dashboard report be noted
2. the draft work programme for 2023-24 be approved.

### **36. Arrangements for Pension Fund Procurements in 2023**

The Committee received a brief introduction to the report which summarised the arrangements for the procurements of the contracts for Actuarial Services and Investment Consultancy Advice as the current contracts would expire during the 2023/24 financial year.

The officer explained that in each case the estimated total value of the contracts (taking account of any flexibility to extend the contracts) was such that, to comply with the Council's procurement requirements, the process would require authority from Cabinet. This would be sought from the Cabinet's May meeting.

The national LGPS Frameworks (led by Norfolk CC) had developed a range of framework contracts to aid procurement of services common to all LGPS administering authorities. This had simplified the process as LGPS Frameworks had done a significant amount of work in evaluating and ensuring that only providers who can deliver the range of services required by an LGPS Fund are included on each framework.

**RESOLVED** That:

1. the report be noted.
2. the proposed arrangements for procurement of new contracts for Actuarial Services and for Investment Consultancy Advice using the National LGPS Frameworks as set out in paragraphs 13 and 18 of the report be approved.



## Triennial Valuation 2022

The Committee received a report from the Fund's Actuary, Stephen Law of Hymans Robertson, which had the following highlights:

This report provided the Committee with the Actuary's final report on the valuation, and requested approval of the Funding Strategy Statement following the consultation with stakeholders on the draft reported to the Committee in November 2022.

With total Assets and Liabilities at £1.02bn and £1.06bn respectively, the whole fund results showed a deficit of £0.04bn and a funding level of 96%.

Contribution rates have fallen for most fund employers. Contribution rates for the Council are shown below.

	2020 -2023	2023-2026
<b>Primary rate</b>	19.1% of pay	17.8% of pay
<b>Secondary rate +</b>	-3.1% of pay plus £7.3m pa	-1.8% of pay plus £6.0m pa
<b>Total</b>	16.0 % of pay plus £7.3m pa	16.0 % of pay plus £6.0m pa

The next steps include final signing off, monitoring cash flow, investment review and GAD Section 13 Valuation.

**RESOLVED** That:

1. the actuary's final report on the valuation be noted.
2. the Funding Strategy Statement and associated policies as set out in Appendix 3 be approved.

### 38. Responsible Investment Policy

The Committee received a report which included a draft Responsible Investment Policy and updated Investment Strategy Statement. The report was an update on the draft policy presented at the last meeting of the Committee. The officer thanked all Members for their responses and comments which had been incorporated into the new draft policy.

The officer further explained that because of the changes made, some consequential changes were required to update the Fund's Investment

Strategy Statement which also needed to be updated because the GMO fund had been replaced with the London CIV Emerging Market equity fund.

An Adviser pointed out that section 13.2 on page 180 of the Investment Strategy Statement seemed to contradict section 13.3. Section 13.2 stated that “At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments.” In contrast 13.3 stated that “More recently, the Committee has taken steps to reduce its carbon exposure, through transferring the Fund’s passive global equity mandate to a passive low carbon global equity mandate”. The officer agreed.

Another Adviser felt that the 4th and 5th bullet point on page 169 should be merged as they seemed to contradict each other and that paragraph 9.2 might limit the performance of active managers in the future. Another Adviser and the Aon representative felt the paragraph on page 169 addressed different issues. The officer said the investment strategy would have to be updated with regards to paragraph 9.2 on page 173. The Chair and an Adviser felt the statement on page 173 referred to index performance benchmarks and should not in itself restrict active managers.

A Member asked if the policy would be reviewed regularly at future meetings of the Committee. The officer advised that the policy would need to be reviewed periodically. The Chair expressed some reservations as he had been at a training session about responsible investment policy with Chairs of Pension Fund Committees to establish consistency in the approach to Responsible Investment policy. He said that objectives and documentation required were discussed and he expressed concerns about reliability of the data generated and used. A representative from Aon agreed that reviewing the policy regularly would be onerous but suggested that a pragmatic approach could be adopted. An Adviser suggested evidencing alignment with the TCFD task force on financial climate disclosures and adopting a similar position to other London boroughs.

**RESOLVED** That:

1. the draft Responsible Investment Policy attached at Appendix 1 be approved.
2. the updated Investment Strategy Statement at Appendix 2 be approved after the changes referred to above are made.

### **39. Competition and Markets Authority (CMA) - Setting Investment Consultant Objectives**

The Committee received a brief introduction to the report which provided a review of the Investment Consultant Objectives as required by the Competition and Markets Authority Order.

The officer explained that the Competition and Markets Authority, (“CMA”) reported in its review on the investment consultant and fiduciary management markets. Following this review, the CMA issued an Order which requires Pension Fund Trustees, (including Local Government Pension Schemes) to set objectives for their investment consultants closely linked to the pension scheme’s strategic objectives. The objectives had to be reviewed at least every three years and after a significant change to the investment strategy. The officer explained the report was due as the Committee had last considered a CMA report in 2019.

As detailed in the Committee report, Aon was re-appointed as the Fund’s Investment Consultants in 2018. The contract was recently extended by one year and would expire in January 2024. The CMA Order took effect from 10 December 2019, and the Committee reviewed and set objectives for Aon at its meeting on 18 December 2019. It was therefore appropriate to review those objectives. Aon provided regulated investment consultancy services and hence the CMA Order applied to their contract.

Aon had provided a summary of the objectives and of the work they had carried out to meet these objectives and this was attached as Appendix 1. The Committee was asked to consider the objectives and review Aon’s comments, and to comment on whether the objectives remained appropriate for the coming year.

An Adviser asked if the London CIV would be monitored. The representative from Aon explained that they were not going to rate the London CIV due to its structure but would meet with them regularly for discussions and would rather review the underlying funds and report on the underlying fund managers.

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

**40. Any Other Urgent Business**

There were none.

**41. Exclusion of the Press Public**

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

Agenda Item No	Title	Description of Exempt Information
14.	Performance Dashboard and Update on Regular Items - Appendices 3 & 4	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular

		person (including the authority holding that information).
15.	Property Investment - LaSalle Property Fund of Funds	Information under paragraph 3 (contains information relating to the financial and business affairs of any particular person (including the authority holding that information)).
16.	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)).

#### **42. Performance Dashboard and Update on Regular Items**

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

**RESOLVED: Please see decision on Minute 35**

#### **43. Property Investment - LaSalle Fund of Funds**

The Committee received a report which provided updates on the latest position regarding the Fund's property investment in the LaSalle Fund of Funds.

**RESOLVED** that the report be noted.

#### **44. Review of Investment Strategy**

The Committee received a report on investment strategy from an Independent Adviser. The Independent Adviser answered questions from Members.

**RESOLVED** that the report be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.21 pm).

(Signed) Councillor David Ashton  
Chair

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## **Report for: Pension Fund Committee**

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<b>Date of Meeting:</b>	31 July 2023
<b>Subject:</b>	Performance Dashboard and Update on Regular Items
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No - except for Appendix 3 and 4 which are Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
<b>Wards affected:</b>	None
<b>Enclosures:</b>	<p><b>Appendix 1</b> - Investment Dashboard as at 31 March 2023 (Aon)</p> <p><b>Appendix 2</b> - PIRC Local Authority Pension Performance Indicators to 31 March 2023</p> <p><b>Appendix 3</b> - Manager Monitoring Report - Executive Summary (Aon) (Exempt)</p> <p><b>Appendix 4</b> - Report from Independent Advisor (Exempt)</p> <p><b>Appendices - 5A &amp; 5B</b> - Fund Valuation as at 31 March 2023 &amp; 30 June 2023</p>

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

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This report updates the Committee on regular items as follows:

- Draft work programme for the remainder of 2023-24 on which the Committee's comments and agreement are requested.
- It includes the investment and management performance dashboard report summarising key fund performance and risk indicators and PIRC Performance Indicators
- Fund performance to 31 March 2023 and 30 June 2023
- Updates on Pension Board and Audit of Annual Report and Accounts for 2021-22

### **Recommendations:**

The Committee is requested to

1. review and to comment as necessary on the performance and investment dashboard report;
2. approve the draft work programme for the remainder of 2023-24.

## **Section 2 – Report**

### **A. Introduction**

1. This report updates the Committee on regular items as follows:
  - Draft work programme for 2023-24 (Sub-section B)
  - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
  - Fund Performance and actions for periods ended 31 March 2023 (Sub-section D and Appendix 5)
  - Issues raised by Pension Board (Sub-section E)
  - Audit of 2021-22 Annual Report and Accounts (Sub-section F)
  - Other matters

### **B. Draft Work Programme 2023-24**

2. The dates set for future meetings of the Committee in the 2023-24 were approved by the Council on 18 May 2023.
3. The outline work programme reported to the Committee in March 2023 has been updated – the following items are currently expected to be reported to the Committee's quarterly meetings



<b>Meeting</b>	<b>Item</b>
<b>All Meetings</b>	Regular Items update - Work Programme - Pension Board Items - Performance - Fund valuation / Dashboard - Manager Monitoring
<b>19 September 2023</b>	Outcome of Audit of Accounts for 2021-22
	External Audit Plan for 2022-23
	Draft PF Annual report 2022-23
	Review of Internal Controls at Investment Managers
	LCIV and Investment Pooling Update
	Actuarial Services Contract – outcome of tender process
	Investment Strategy Review
<b>21 November 2023</b>	External Audit Report on 2022-23 Accounts
	Review of Pension Fund Risk Register
	Investment Consultancy Services Contract – outcome of tender process
	Investment Strategy Review
<b>12 March 2024</b>	Investment Strategy Review
	LCIV and Investment Pooling Update
	Climate Change Reporting Update
<b>Items to be scheduled when information is available</b>	
	Consultation on Investment Pooling
	Outcome of TCFD Consultation

4. All meetings are currently scheduled to start at 6.30pm. It is intended that a training session will be held before each meeting, beginning at 5.30pm. Detailed arrangements for the training sessions and meetings will be confirmed nearer the date.
5. The Committee will have the opportunity to update this programme but are invited to comment on the draft above and agree it at this stage. The list will be augmented as necessary during the year.
6. In addition to the “regular” quarterly meetings, the Committee may wish to schedule other (informal) sessions for specific reasons – e.g., in 2022 the Committee had sessions covering Responsible Investment and to identify a replacement Emerging Markets Equity Manager, and in Investment strategy session was held in May 2023. The Committee may also wish to consider whether it wishes to have a “manager review day” this year.

### C. Summary Performance Dashboard for Period Ended 31 March 2023

7. Attached as **Appendix 1** is a summary investment performance dashboard produced by Aon. It is designed to provide summary reporting and to streamline the performance reports presented to committee.
8. The investment dashboard shows the Pension Fund's estimated Investment Funding Level of 112% as at 31 March 2023 and the fund assets (£956m) and liabilities (£851m). This estimate of liabilities is a rolled forward projection based on the 2022 actuarial valuation, the final results of which were reported to the Committee at its meeting on 29 March 2023.
9. The estimated funding level has improved since the 2022 valuation. This is driven by the fact that the expected return (discount rate) has increased materially since the valuation largely driven by increasing interest rate expectations. This has reduced the liabilities substantially. The assets have held up well over what has been a volatile period in financial markets and their values have not dropped to the same extent as the liabilities – hence the increased funding level. This update is at a single point in time, during a period of volatility in markets. Further market movements will lead to further fluctuations in funding level – the recent additional increases in interest rates are likely to have increased the funding level further.
10. It should be noted that the 112% funding level relates only to “past service” benefits (i.e. service accrued to date). As a scheme which is “open” (i.e. both to future accrual of benefits for existing members and to new joiners), the Fund will also have to meet significant liabilities in respect of future service, which will in turn depend on pay levels and other factors. No de-risking actions are recommended at the current time.
11. The Dashboard includes a summary of asset allocation relative to the strategic benchmark. It also shows the current allocation made to the London CIV or under fee arrangements negotiated by the CIV (78%) and a summary of manager performance and manager rating. The Strategic Benchmark allocation to assets pooled or counted as being pooled is 82.5%. The commitments which are yet to be drawn down in respect of the LCIV Infrastructure and LCIV Renewables Infrastructure Funds account for most of the gap.
12. The Fund subscribes to the performance data service provided by Pension and Investment Consultants Limited (PIRC) The PIRC performance report is attached as **Appendix 2** to this report. The dashboard summarises the quarter, 1-year, 3-year and 5-year performance. The Fund has underperformed against its benchmark in the first quarter of 2023, and for all longer timeframes, performance was also below the fund benchmark.
13. The second part of **Appendix 2** (from page 8) shows a summary of the performance of LGPS funds generally. This is taken from PIRC's database of 45 LGPS funds. Whilst the data is helpful as background information, the Committee should bear in mind that each LGPS Fund has its own investment strategy reflecting its own circumstances (funding position, membership profile, maturity, cash flow etc) – and hence asset allocations

will differ significantly. For example, some funds will have had higher allocations to growth assets than LBH, others more cautious strategies.

14. **Appendix 3** Manager Monitoring Report - Executive Summary reports on managers who have received the Aon “qualified” or “in review” rating. This is summarised on the dashboard ‘Manager in Focus’ section. **Appendix 4** sets out the comments of one of the Fund’s Independent Advisors in respect of the various managers’ performance and other related information. **These appendices (3 and 4) are exempt, so any discussion of the detail therein will need to be undertaken in Part II of the meeting.**

#### **D. Fund Performance and Valuation for Period Ended 31 March 2023 and subsequent activity**

15. **Appendix 5a** sets out the change in the market value of the Fund’s investments from 31 March 2022 to 31 March 2023. The table has been ordered to align the various investments with the three high-level “bucket” groupings approved under the Investment Strategy Review – Equities, Diversifying Return Assets and Risk Control Assets. The value of the Fund at 31 March 2023 rose to £955m in the quarter from £927m (at 31 December 2022).
16. The values of both equities and bonds increased during the quarter. The value of sterling also rose following the challenges at the end of the third quarter of 2022 – this impacted on the value of those stocks denominated in other currencies, with the Fund’s currency hedging mandate partially mitigating that impact. Property values fell again during the quarter
17. During the quarter there were drawdowns against the Fund’s commitments to the LCIV Infrastructure Fund (£0.4m approx.) and the LCIV Renewables Infrastructure Fund (£1.6m approx.). Further drawdowns totalling £3.3m for the LCIV Infrastructure Fund and £3.9m for the LCIV Renewables Infrastructure Fund were paid in the second quarter of 2023. The LCIV Renewables Infrastructure Fund has now drawn down approximately 42% of commitments, and the LCIV Infrastructure Fund has drawn down approximately 72% of commitments. Further drawdowns are expected in the remainder of 2023. As previously approved by the Committee, these drawdowns are being mainly funded by withdrawals from the Insight DGF, with the remainder from cash balances.
18. By the end of the second quarter of 2023, market performance has improved, as a consequence the Fund’s investments appreciated by £14m to £969m at 30 June 2023.

#### **E. Meetings of Pension Board**

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

20. In addition, at its meeting on 12 July 2023 the Board considered reports on the following subjects:

- Review of the Pension Fund Risk Register
- Pension Fund Governance Compliance Statement

These items appear elsewhere on the agenda for this meeting – the Board’s comments on these items will be circulated as late material.

The Board also approved the annual report on its work for the 2022-23 municipal year to be submitted to the Council in September 2023.

21. The dates of the Board’s meetings for the remainder of 2023-24 are as follows:

- 30 October 2023
- 11 December 2023
- 19 March 2024.

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

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

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

24. The auditors, Mazars, are aware that this Committee wishes them to present their report on the outcome of the audit – this is scheduled for the Committee’s next meeting on 19 September 2023.

### **G. Other Matters – Government Consultations affecting the LGPS**

25. A further Government consultation on the McCloud remedy for public sector pension schemes was published in May 2023 and closed on 30 June 2023. This Consultation included draft Regulations for the LGPS. The proposals are complex – in summary they extend the “statutory underpin” in a range of circumstances, and if implemented in this form will present a significant workload for LGPS software suppliers and administration teams. A link to the Consultation is below.

[‘McCloud’ remedy in the LGPS – supplementary issues and scheme regulations - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/mccloud-remedy-in-the-lgps-supplementary-issues-and-scheme-regulations)

The Committee should also note that in early June 2023, the Court of Appeal granted the Fire Brigades Union leave to appeal the High Court’s decision on paying implementation of McLeod remedies, which the Union claims is age discriminatory. The outcome of that case is likely to affect other public sector schemes.

26. The consultation on investment pooling and related matters is still awaited. It is currently thought that this will now be issued in the autumn of 2023. A report will be brought to the Board when the consultation is published. The outcome of the consultation on Climate Change Reporting (TCFD) is also awaited.
27. A report will be brought to the Committee when the consultation is published.
28. At the annual Mansion House dinner, during his speech the chancellor announced reforms for the LGPS in England and Wales, covering asset pooling, levelling up and opportunities in private equity. Following this, the next day, the Department for Levelling Up Housing and Communities (DLUHC), published a consultation on the areas the chancellor highlighted in his speech. Please see the link below for the consultation:  
[Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments)
29. Primarily the consultation covers five areas:
- i. Acceleration and expansion of pooling - all assets into the pools by 2025 and each investment pool to be £50bn+ which could mean pool consolidation.
  - ii. Expectation for funds to invest up to 5% of assets, supporting UK levelling up
  - iii. Increase investments in unlisted equity - looking for a 10% allocation to private equity
  - iv. Amendments to LGPS regulations around the use of investment consultants - Officially implementing CMA requirements on investment consultants

- v. Technical changes to definition of investments within LGPS regulations

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

## **Legal Implications**

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

32. The Pension Fund Committee has the following powers and duties:

- i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
- ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund.

## **Financial Implications**

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

## **Risk Management Implications**

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

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

36. 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**

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

### **Council Priorities**

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

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

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 17 July 2023**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 12 July 2023**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Managing Director

**Date: 17 July 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](mailto:Bola.Tobun@harrow.gov.uk)

Telephone 020 8420 9264

**Background Papers:** None

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# 25 Investment Dashboard

Q1 2023

Prepared for: London Borough of Harrow Pension Fund

Prepared by: Aon

Date: 3 July 2023

# Dashboard summary

## Funding

**112.3%**

Source: Hymans Robertson **Qtr ▼ 0.1%**

## Assets

**£956m**

**Qtr ▲ £28m**

## Liabilities

**£851m**

**Qtr ▲ £26m**

## Yields

06 June

Market Pricing **3yr**

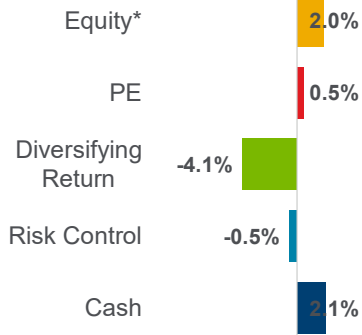
Market Pricing **5yr**

Nominal	<b>4.6%</b>	<b>▲ 4.6%</b>	<b>▲ 4.6%</b>
Real	<b>1.0%</b>	<b>▲ 1.2%</b>	<b>▲ 1.2%</b>
Inflation	<b>3.6%</b>	<b>▼ 3.5%</b>	<b>▼ 3.5%</b>

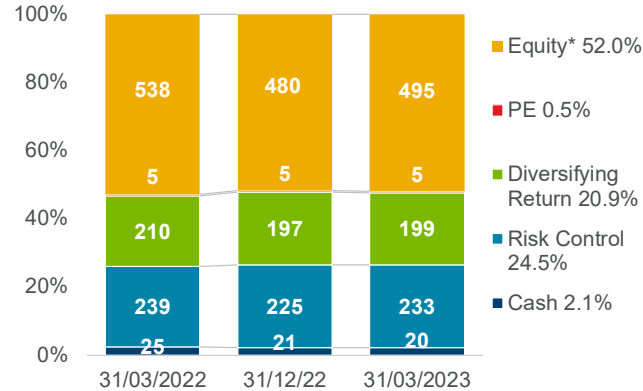
Source: Aon

## Asset Allocation

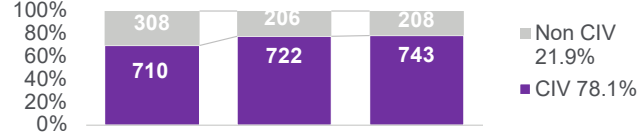
Relative to strategic



### Absolute



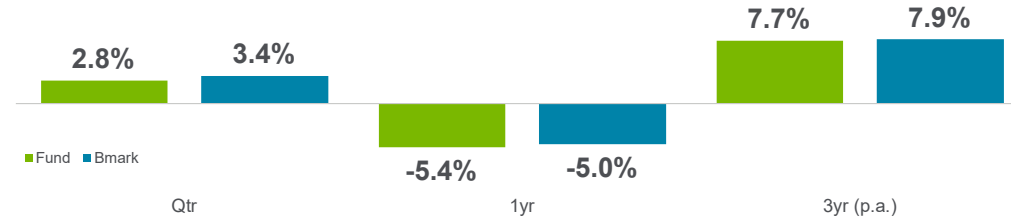
### London CIV



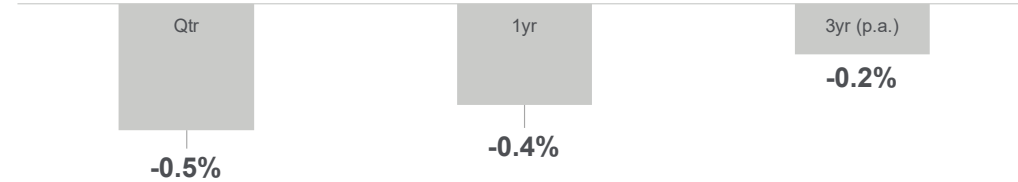
Source: London Borough of Harrow Pension Fund Officers

## Performance

### Absolute



### Relative



Fund and Benchmark Performance Source: PIRC

## Managers in Focus

### Buy

- LCIV BlackRock Equities
- LCIV 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

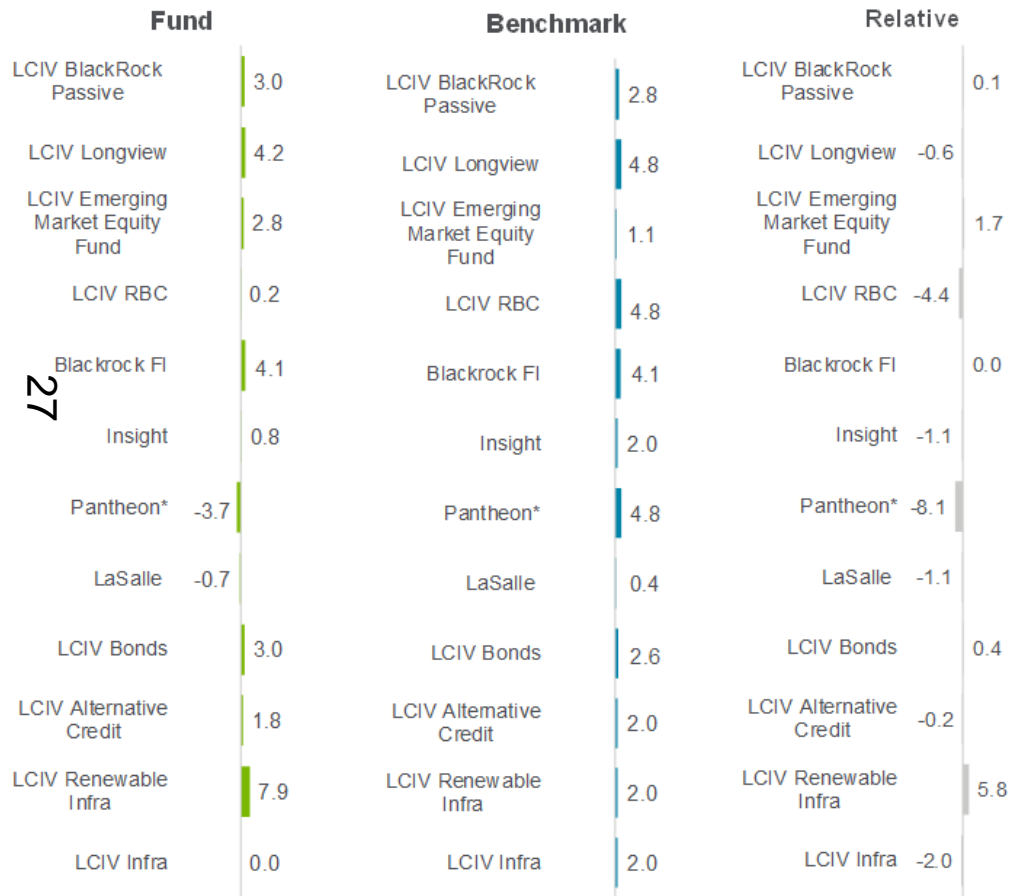
Note: The underlying funds for the LCIV Emerging Market Equity Fund, the LCIV Infrastructure and Renewables Funds, the LCIV Global Bond funds and the LCIV Alternative Credit Fund, are currently Not Rated by Aon.

\*includes passive currency hedge

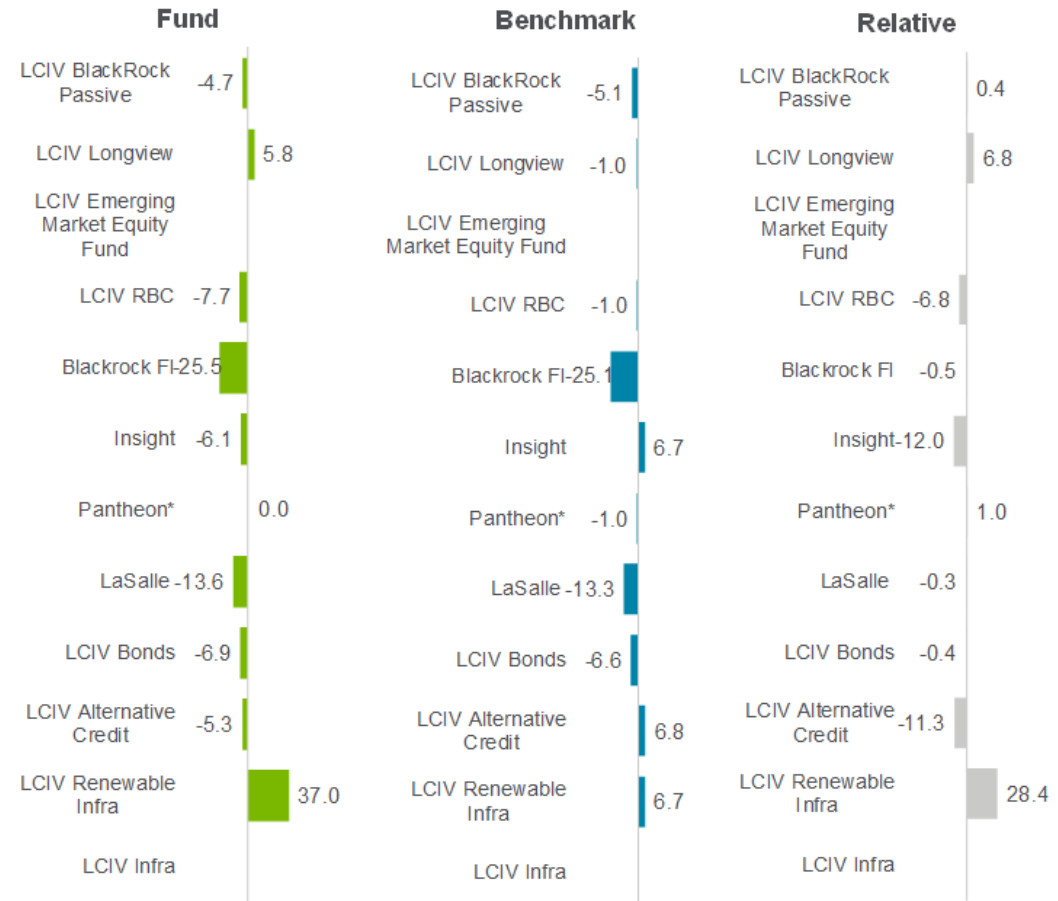
\*\*We have labelled as "Buy" as we rate the team, philosophy, process and risk framework that RBC adopt although the specific fund utilised by the CIV differ slightly to the mainstream product.

# Manager performance dashboard

## Quarterly



## 12 months



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 March 2023



## Performance Overview

### Fund Performance

	Quarter	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
<b>Fund</b>	<b>2.8</b>	<b>-5.4</b>	<b>7.7</b>	<b>3.7</b>
Benchmark	3.4	-5.0	7.9	5.3
Relative	<b>-0.5</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-1.5</b>

### Manager Performance

	Latest Quarter			1 Year			3 Years (% p.a.)		
	Portfolio	BM	Relative	Portfolio	BM	Relative	Portfolio	BM	Relative
Logview	<b>4.2</b>	4.8	<b>-0.6</b>	<b>5.8</b>	-1.0	6.8	<b>18.2</b>	16.5	<b>1.5</b>
Passive Equity	<b>3.0</b>	2.8	0.1	<b>-4.7</b>	-5.1	0.4	<b>14.3</b>	13.9	0.3
RBC	<b>0.2</b>	4.8	<b>-4.4</b>	<b>-7.7</b>	-1.0	<b>-6.8</b>			
LCIV Emerging Mkts	<b>2.8</b>	1.1	1.7						
Pantheon*	<b>-3.7</b>	4.8	<b>-8.1</b>	<b>0.0</b>	-1.0	<b>1.0</b>	<b>13.1</b>	16.0	<b>-2.5</b>
LaSalle	<b>-0.7</b>	0.4	<b>-1.1</b>	<b>-13.6</b>	-13.3	<b>-0.3</b>	<b>0.1</b>	1.9	<b>-1.7</b>
BlackRock	<b>4.1</b>	4.1	0.0	<b>-25.5</b>	-25.1	<b>-0.5</b>	<b>-6.9</b>	-7.4	0.5
LCIV Bonds	<b>3.0</b>	2.6	0.4	<b>-6.9</b>	-6.6	<b>-0.4</b>			
Alternative Credit	<b>1.8</b>	2.0	<b>-0.2</b>	<b>-5.3</b>	6.8	<b>-11.3</b>			
Insight	<b>0.8</b>	2.0	<b>-1.1</b>	<b>-6.1</b>	6.7	<b>-12.0</b>	<b>4.0</b>	5.1	<b>-1.1</b>
Renewable Infra	<b>7.9</b>	2.0	5.8	<b>37.0</b>	6.7	<b>28.4</b>			
Infrastructure	<b>0.0</b>	2.0	<b>-2.0</b>						

\*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.



## Asset Allocation

	Start Quarter		End Quarter		% Strategic Allocation
	GBP'000s	%	GBP'000s	%	
<b>Equity</b>	<b>480,143</b>	<b>52</b>	<b>498,492</b>	<b>52</b>	<b>50</b>
Longview	105,742	11	110,100	12	10
BlackRock	226,691	24	233,414	24	24
LCIV Emerging	71,497	8	73,527	8	8
RBC	67,564	7	67,704	7	8
Record Currency	8,649	1	13,747	1	
<b>Resifying Assets</b>	<b>201,210</b>	<b>22</b>	<b>203,544</b>	<b>21</b>	<b>25</b>
Insight	66,407	7	66,873	7	5.5
LaSalle	60,780	7	59,898	6	6
Renewable Infrastructure	19,237	2	22,370	2	5
Infrastructure	50,091	5	50,091	5	7.5
Pantheon	4,695	1	4,311	0	1
<b>Risk Control Assets</b>	<b>225,021</b>	<b>24</b>	<b>232,654</b>	<b>24</b>	<b>25</b>
BlackRock	86,205	9	90,764	9	10
LCIV Bonds	42,316	5	43,613	5	5
LCIV Alternative Credit	96,500	10	98,277	10	10
<b>Cash</b>	<b>21,156</b>	<b>2</b>	<b>20,811</b>	<b>2</b>	<b>0</b>
<b>Total Fund</b>	<b>927,530</b>	<b>100</b>	<b>955,501</b>	<b>100</b>	<b>100</b>



## Latest Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
<b>Equity</b>				
Longview	5.8	-1.0	6.8	0.8
BlackRock	-4.7	-5.1	0.4	0.2
RBC	-7.7	-1.0	-6.8	-0.5
LCIV EM				
<b>Resurifying Assets</b>				
Insight	-6.1	6.7	-12.0	-1.0
LaSalle	-13.6	-13.3	-0.3	0.0
Renewable Infrastructure	37.0	6.7	28.4	0.0
Infrastructure				
Pantheon	0.0	-1.0	1.0	0.0
<b>Risk Control Assets</b>				
BlackRock	-25.5	-25.1	-0.5	0.0
LCIV Bonds	-6.9	-6.6	-0.4	0.0
LCIV Alternative Credit	-5.3	6.8	-11.3	-0.5
<b>Total Fund</b>	<b>-5.4</b>	<b>-5.0</b>	<b>-0.4</b>	

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

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





## Last 3 Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
<b>Equity</b>				
Longview	18.2	16.5	1.5	0.2
BlackRock	14.3	13.9	0.3	0.1
RBC				
LCIV EM				
<b>Diversifying Assets</b>				
Insight	4.0	5.1	-1.1	0.0
LaSalle	0.1	1.9	-1.7	-0.2
Renewable Infrastructure				
Infrastructure				
Pantheon	13.1	16.0	-2.5	0.0
<b>Risk Control Assets</b>				
BlackRock	-6.9	-7.4	0.5	0.1
LCIV Bonds				
LCIV Alternative Credit				
<b>Total Fund</b>	<b>7.7</b>	<b>7.9</b>	<b>-0.2</b>	

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

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

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



## Last 5 Year Performance

% p.a.	Portfolio	Benchmark	Relative	Manager Contribution
<b>Equity</b>				
Longview	11.0	10.8	0.2	0.0
BlackRock	9.0	8.8	0.2	0.1
RBC				
LCIV EM				
<b>Resilient Assets</b>				
insight	1.8	4.8	-2.8	-0.2
LaSalle	0.3	2.1	-1.8	-0.2
Renewable Infrastructure				
Infrastructure				
Pantheon	10.3	10.2	0.1	0.0
<b>Risk Control Assets</b>				
BlackRock	-2.6	-3.0	0.4	0.1
LCIV Bonds				
LCIV Alternative Credit				
<b>Total Fund</b>	<b>3.7</b>	<b>5.3</b>	<b>-1.5</b>	

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

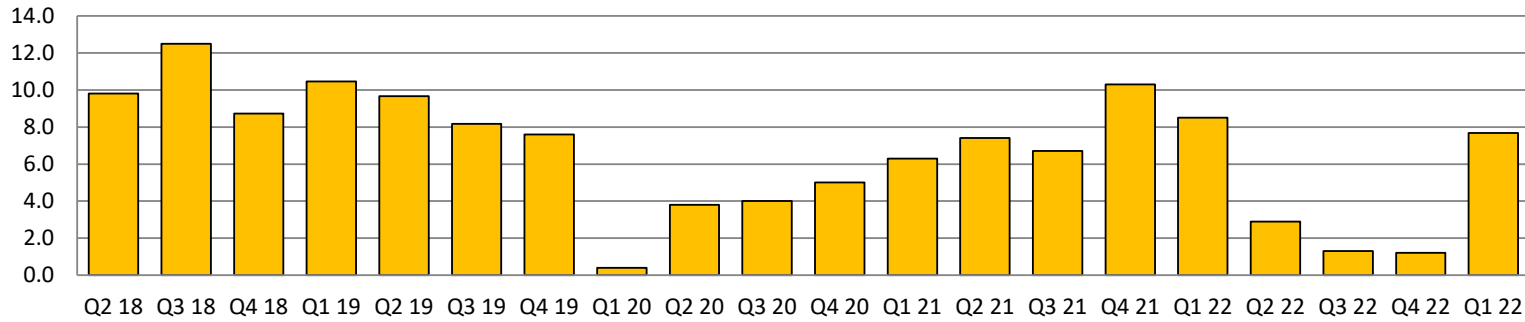
Only portfolios invested for the full period are shown in these tables.

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



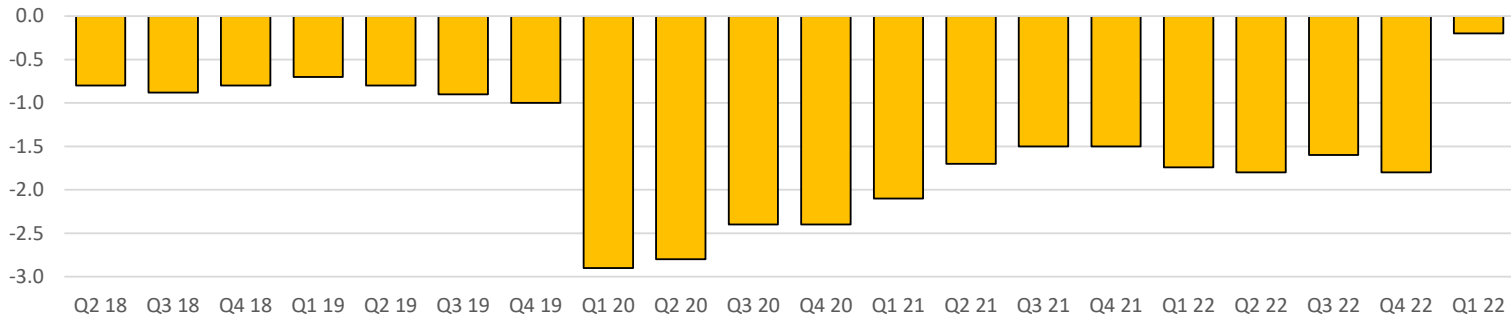
# Rolling Three Year Returns

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



Due to the Q1 2020 quarter dropping out of the three year results but the Q2 recovery remains the three year result is inflated. The returns remain below the current level of inflation.

## 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.



## Performance Relative to Others

### Fund Performance

	Quarter	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
<b>Fund</b>	<b>2.8</b>	<b>-5.4</b>	<b>7.7</b>	<b>3.7</b>
<b>Benchmark</b>	<b>3.4</b>	<b>-5.0</b>	<b>7.9</b>	<b>5.3</b>
<b>Universe Average*</b>	<b>2.4</b>	<b>-1.7</b>	<b>9.5</b>	<b>5.9</b>
Fund Relative to Universe	0.4	-3.8	-1.7	-2.1
Ranking	(55)	(84)	(84)	(98)
Fund Relative to Benchmark	-0.6	-0.4	-0.2	-1.5
BM Relative to Universe	1.0	-3.4	-1.5	-0.6

\* Rent sample size - 45 funds with a value of £175bn

The Fund remains below the Universe average over all time periods beyond the latest quarter.

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.



## Benchmark Allocation

%	To 31/12/2017	From 1/1/2018	From 1/4/2019	From 1/7/2021
<b>Equity</b>	<b>62</b>	<b>50</b>	<b>50</b>	<b>50</b>
Global Passive	31	24	24	24
Developed Active	21	18	18	18
Emerging Markets Active	10	8	8	8
<b>Risk Control</b>	<b>13</b>	<b>13</b>	<b>24</b>	<b>25</b>
UK Corporate Bonds	10.4	10	10	5
Credit			11	10
Index Linked Gilts	2.6	3	3	5
Global Bonds				5
<b>Diversifying Assets</b>	<b>25</b>	<b>37</b>	<b>26</b>	<b>25</b>
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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APPENDIX 5A

Fund Valuation and Performance  
March 2022 to March 2023

Asset Class	Value 31.03.2022 £'000	Value 30.04.2022 £'000	Value 31.05.2022 £'000	Value 30.06.2022 £'000	Value 31.07.2022 £'000	Value 31.08.2022 £'000	Value 30.09.2022 £'000	Value 31.10.2022 £'000	Value 30.11.2022 £'000	Value 31.12.2022 £'000	Value 31.01.2023	Value 31.02.2023	Value 31.03.2023 £'000	Allocation 31.05.2023 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>																
LCIV - Global Equity Focus Fund	127,495	124,788	125,859	121,282	130,520	129,994	117,181	121,923	110,130	105,742	110,897	109,821	110,100	12	10	
LCIV - Blackrock Passive	269,113	260,570	255,224	241,501	257,001	261,414	242,976	243,311	231,630	226,691	234,134	234,945	233,414	24	24	
LCIV - Sustainable Equity Fund	73,314	68,921	68,967	66,897	71,786	71,767	67,920	68,672	71,638	67,564	69,645	68,324	67,704	7	8	
LCIV - Emerging Market Equity Fund	0	2,073	33,476	62,393	71,203	74,269	69,923	65,131	72,475	71,497	75,551	72,599	73,527	9	8	
GMO	71,839	69,436	37,436	6,856	0	0	0	0	0	0	0	0	0	0	0	
Record passive currency hedge	-4,041	-9,303	-8,929	-15,936	-7,141	-15,857	-23,461	3,150	8,086	8,649	12,575	10,421	13,747	1		
<b>Total Global Equities</b>	<b>537,719</b>	<b>516,484</b>	<b>512,033</b>	<b>482,993</b>	<b>523,370</b>	<b>521,587</b>	<b>474,540</b>	<b>502,187</b>	<b>493,960</b>	<b>480,143</b>	<b>502,801</b>	<b>496,110</b>	<b>498,492</b>	<b>53</b>	<b>50</b>	<b>45-55</b>
														Inc Hedging		
<b>Diversifying Return Assets</b>																
<b>Diversified Growth Fund</b> - Insight	93,776	92,072	86,519	83,304	81,404	78,084	65,927	66,056	67,082	66,407	67,528	66,878	66,873	7	5.5	
<b>Property</b> - LaSalle	71,330	71,619	71,935	73,515	73,380	72,986	70,087	68,417	66,851	60,780	60,213	60,028	59,898	6	6	
<b>Renewables</b> - LCIV Renewables Fund	13,833	11,210	12,111	12,111	12,253	13,014	17,984	17,984	19,237	19,505	19,505	20,298	22,370	2	5	
<b>Infrastructure</b> - LCIV Infrastructure	31,347	31,347	31,347	34,846	34,846	41,472	43,304	47,560	48,055	50,091	50,091	50,091	50,091	5	7.5	
<b>Private Equity</b> - Pantheon	5,371	5,371	5,371	5,218	5,218	5,218	4,877	4,877	4,877	4,695	4,695	4,695	4,052	1	1	
<b>Total Diversifying Return Assets</b>	<b>215,658</b>	<b>211,619</b>	<b>207,284</b>	<b>208,995</b>	<b>207,101</b>	<b>210,775</b>	<b>202,178</b>	<b>204,894</b>	<b>204,848</b>	<b>201,210</b>	<b>202,032</b>	<b>201,990</b>	<b>203,285</b>	<b>21</b>	<b>25</b>	<b>20-30</b>
<b>Risk Control Assets</b>																
<b>Bonds</b> - Blackrock - FI Corp	42,083	39,930	38,869	35,997	37,659	34,279	29,817	31,517	46,610	44,246	46,410	45,296	46,539	5	5	
<b>Bonds</b> - Blackrock - IL passive LCIV	46,463	43,079	39,265	37,178	39,413	36,064	33,243	31,405	44,724	41,959	43,658	41,303	44,225	5	5	
<b>Alternatives</b> - LCIV Alt Credit Fund	103,777	102,592	100,124	95,414	96,924	97,823	93,952	94,199	96,243	96,500	100,222	101,111	98,277	10	10	
<b>Bonds</b> - LCIV Global Bond Fund	46,816	44,695	44,739	43,243	44,409	43,358	41,325	40,653	42,679	42,316	43,472	42,919	43,613	5	5	
<b>Total Risk Control Assets</b>	<b>239,138</b>	<b>230,296</b>	<b>222,996</b>	<b>211,832</b>	<b>218,406</b>	<b>211,524</b>	<b>198,338</b>	<b>197,774</b>	<b>230,257</b>	<b>225,021</b>	<b>233,763</b>	<b>230,629</b>	<b>232,654</b>	<b>23</b>	<b>25</b>	<b>20-30</b>
<b>Cash &amp; NCA</b>																
Cash Managers (Blackrock)	10,736	10,740	10,746	7,755	7,765	7,773	7,784	5,796	10,807	10,822	10,851	10,883	10,915			
Cash NatWest	7,288	9,319	12,214	9,914	10,095	5,252	13,091	9,098	8,760	7,464	8,760	7,404	7,672			
Cash Custodian (JP Morgan)	5,977	3,382	3,381	3,380	280	280	279	49	49	48	28	28	27			
Blackrock Dividends (Pending Reinvestment)	291	291	578	578	579	865	868	868	868	1,317	1,195	484	491			
Debtors and Creditors	1,054	1,368	-1,414	3,261	1,058	1,401	1,529	1,285	1,187	2,250	1,187	1,586	1,135			
CIV Investment	150	150	150	150	150	150	150	150	150	150	150	150	150			
<b>Total Net Current Assets</b>	<b>25,496</b>	<b>25,251</b>	<b>25,656</b>	<b>25,039</b>	<b>19,928</b>	<b>15,721</b>	<b>23,701</b>	<b>17,246</b>	<b>21,820</b>	<b>22,050</b>	<b>22,171</b>	<b>20,534</b>	<b>20,390</b>	<b>3</b>	<b>0</b>	
<b>Total Assets</b>	<b>1,018,011</b>	<b>983,650</b>	<b>967,969</b>	<b>928,858</b>	<b>968,805</b>	<b>959,607</b>	<b>898,757</b>	<b>922,102</b>	<b>950,884</b>	<b>928,425</b>	<b>960,767</b>	<b>949,263</b>	<b>954,822</b>	<b>100</b>	<b>100</b>	
<b>Assets Pooled</b>																
- LCIV Funds	39.0%	39.2%	43.0%	47.0%	47.7%	49.2%	50.2%	49.5%	48.3%	48.8%	48.9%	49.00%	48.80%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	31.0%	30.9%	30.4%	30.0%	30.6%	31.0%	30.7%	29.8%	29.1%	28.9%	28.9%	29.10%	29.10%		29.0%	
<b>Total % Pooled</b>	<b>70.0%</b>	<b>70.1%</b>	<b>73.5%</b>	<b>77.0%</b>	<b>78.3%</b>	<b>80.2%</b>	<b>81.0%</b>	<b>79.3%</b>	<b>77.4%</b>	<b>77.7%</b>	<b>77.8%</b>	<b>78.10%</b>	<b>77.80%</b>		<b>82.5%</b>	
<b>Invested Directly in funds managed by LCIV</b>													<b>465,682.0</b>	49%		
<b>Invested in Funds classed as Pooled with LCIV</b>													<b>277,639.0</b>	29%		
<b>Invested with Other Fund Managers</b>													<b>191,109.0</b>	20%		
<b>Cash/Other Assets held by Fund</b>													<b>20,390.0</b>	2%		

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APPENDIX 5B

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 31.05.2023 £'000	Allocation 31.05.2023 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>																
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		
<b>Total Global Equities</b>	<b>482,993</b>	<b>523,370</b>	<b>521,587</b>	<b>474,540</b>	<b>502,187</b>	<b>493,960</b>	<b>480,143</b>	<b>502,801</b>	<b>496,110</b>	<b>498,492</b>	<b>489,883</b>	<b>488,779</b>	<b>504,865</b>	<b>53</b>	<b>50</b>	<b>45-55</b>
														Inc Hedging		
<b>Diversifying Return Assets</b>																
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	
<b>Total Diversifying Return Assets</b>	<b>208,995</b>	<b>207,101</b>	<b>210,775</b>	<b>202,178</b>	<b>204,894</b>	<b>204,848</b>	<b>201,210</b>	<b>202,032</b>	<b>201,990</b>	<b>203,285</b>	<b>208,616</b>	<b>208,235</b>	<b>210,804</b>	<b>22</b>	<b>25</b>	<b>20-30</b>
<b>Risk Control Assets</b>																
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	
<b>Total Risk Control Assets</b>	<b>211,832</b>	<b>218,406</b>	<b>211,524</b>	<b>198,338</b>	<b>197,774</b>	<b>230,257</b>	<b>225,021</b>	<b>233,763</b>	<b>230,629</b>	<b>232,654</b>	<b>231,177</b>	<b>227,001</b>	<b>229,241</b>	<b>23</b>	<b>25</b>	<b>20-30</b>
<b>Cash &amp; NCA</b>																
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			
<b>Total Net Current Assets</b>	<b>25,039</b>	<b>19,928</b>	<b>15,721</b>	<b>23,701</b>	<b>17,246</b>	<b>21,820</b>	<b>22,050</b>	<b>22,171</b>	<b>20,534</b>	<b>20,390</b>	<b>28,099</b>	<b>28,094</b>	<b>23,822</b>	<b>3</b>	<b>0</b>	
<b>Total Assets</b>	<b>928,858</b>	<b>968,805</b>	<b>959,607</b>	<b>898,757</b>	<b>922,102</b>	<b>950,884</b>	<b>928,425</b>	<b>960,767</b>	<b>949,263</b>	<b>954,822</b>	<b>957,774</b>	<b>952,110</b>	<b>968,732</b>	<b>100</b>	<b>100</b>	
<b>Assets Pooled</b>																
- LCIV Funds	47.0%	47.7%	49.2%	50.2%	49.5%	48.3%	48.8%	48.9%	49.00%	48.80%	49.10%	49.20%	49.20%			53.5%
- Other (Passive) Funds - Regarded as Pooled	30.0%	30.6%	31.0%	30.7%	29.8%	29.1%	28.9%	28.9%	29.10%	29.10%	29.00%	29.20%	29.20%			29.0%
<b>Total % Pooled</b>	<b>77.0%</b>	<b>78.3%</b>	<b>80.2%</b>	<b>81.0%</b>	<b>79.3%</b>	<b>77.4%</b>	<b>77.7%</b>	<b>77.8%</b>	<b>78.10%</b>	<b>77.80%</b>	<b>78.00%</b>	<b>78.30%</b>	<b>78.30%</b>			<b>82.5%</b>
<b>Invested Directly in funds managed by LCIV</b>													<b>478,421.0</b>	<b>49%</b>		
<b>Invested in Funds classed as Pooled with LCIV</b>													<b>283,702.0</b>	<b>29%</b>		
<b>Invested with Other Fund Managers</b>													<b>182,787.0</b>	<b>19%</b>		
<b>Cash/Other Assets held by Fund</b>													<b>23,822.0</b>	<b>3%</b>		

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**Report for: Pension Fund  
Committee**

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**Date of Meeting:** 31 July 2023

**Subject:** Review of Pension Fund Governance  
Compliance Statement

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

**Exempt:** No

**Wards affected:** All

**Enclosures:** Appendix 1 – Governance  
Compliance Statement

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

---

This report reviews the Pension Fund's Governance Compliance Statement. The document was last reviewed by the Committee on 19 September 2022.

### **Recommendations:**

The Committee is requested to:

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

## **Section 2 – Report**

1. The "Good Governance Review" which was reported to the Board in January 2020 was delayed by the Covid-19 pandemic. The final (Phase 3) Report on this subject was published by the Scheme Advisory Board in February 2021, and the Report's Action plan was submitted to the Local Government Minister for consideration. It is expected that

Regulations will be published later in 2023 incorporating many of the Review's recommendations.

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

The Governance Compliance Statement fulfils this requirement.

3. The Fund's Governance Compliance statement was last reviewed in September 2022. It is good practice to review it regularly and to update it if required.
4. The revised Governance Compliance Statement is enclosed at Appendix 1. The Committee is asked to consider this, and subject to any suggested modifications, to approve it for adoption. In view of the likelihood of new Regulations, no significant changes are proposed to the current Governance Compliance Statement at this time.
5. The document will be considered by the Pension Board on 12 July 2023, and the Board's comments will be reported to the Committee.
6. A further report will be brought to the Committee once new LGPS Regulations are published, together with any required changes to the Fund's governance arrangements.

## **Legal Implications**

7. There are no direct legal implications arising from this report.
8. The Pension Fund Committee has the following powers and duties:
  - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
  - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
  - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;

- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund.

## **Financial Implications**

- 9. 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**

- 10. There are no specific risk management implications arising from this report. The Pension Fund's Risk Register is reviewed regularly by both the Committee and by the Pension Board. The latest review is elsewhere on this agenda.

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

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

## **Council Priorities**

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

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

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 11 July 2023**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 11 July 2023**

**Chief Officer: Dawn Calvert**  
Signed on behalf of the Corporate Director  
**Date: 11 July 2023**

## **Mandatory Checks**

**Ward Councillors notified: No**

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

**Contact:** Bola Tobun – Treasury and Pensions Manager  
Email: [Bola.Tobun@harrow.gov.uk](mailto:Bola.Tobun@harrow.gov.uk)  
Telephone 020 8420 9264

### **Background Papers:**

LGPS Good Governance Review Phase 3 Report  
[https://www.lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://www.lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)

# **Governance Compliance Statement**

**London Borough of Harrow Pension Fund**

**For Consideration by Pension Fund  
Committee  
July 2023**

## CONTENTS

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



## Introduction

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

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

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

## Regulatory Framework

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

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

- “... (a) whether the authority delegates its function, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;*
- (b) if the authority does so—*
- (i) the terms, structure and operational procedures of the delegation,*
  - (ii) the frequency of any committee or sub-committee meetings,*
  - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and, if so, whether those representatives have voting rights;*
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying, and*
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).”*

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

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

## Delegated Functions

The Council has delegated its functions to the following:

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

The Council set up a Local Pension Board as required under the Public Service Pensions Act 2013 to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Scheme.

### Pension Fund Committee

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

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

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

## **GOVERNANCE COMPLIANCE STATEMENT**

exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;

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

### **Officer Sub – Group**

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

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

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

#### **Pension Fund Investment**

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

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

## Chief Officers

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

## Urgent Non-Executive Decisions and Minor Matters

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

### Safeguards

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

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

## Pension Board

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

- Securing compliance with the Scheme regulations and other legislation relating to the governance and administration of the LGPS;
- Securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Such other matters the LGPS regulations may specify.
- Development and Review of new policies before these are adopted by the Pensions Fund Committee

## GOVERNANCE COMPLIANCE STATEMENT

In particular the Board oversees:

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

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

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

**Statement of compliance to guidance**

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

**Principle A – Structure**

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

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

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

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

**Principle B – Representation**

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

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

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

	Not Compliant*			Fully Compliant	
a)				√	
b)					√

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

The Pension Fund Committee comprises representatives of the main employer, London Borough of Harrow, two independent advisers and an expert investment adviser but no representation for other employers or scheme members. Two trade unions have observer status, although one of those seats is currently vacant.

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

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

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

	Not Compliant*			Fully Compliant	
a)					√
b)					√

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



**Principle D – Voting**

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

	Not Compliant*			Fully Compliant	
a)					√

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

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

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

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

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

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

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

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

A training log for all elected members is maintained.

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

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

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

## GOVERNANCE COMPLIANCE STATEMENT

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

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

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

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

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

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

### **Principle G – Access**

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

	Not Compliant*			Fully Compliant
a)				√

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

**Principle H – Scope**

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

	Not Compliant*				Fully Compliant
a)					√

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

**Principle I – Publicity**

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

	Not Compliant*				Fully Compliant
a)					√

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

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

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**Report for: Pension Fund  
Committee**

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<b>Date of Meeting:</b>	31 July 2023
<b>Subject:</b>	Review of Pension Fund Risk Register
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	None
<b>Enclosures:</b>	<b>Appendix 1</b> - Risk Score Summary <b>Appendix 2</b> - Pension Fund Risk Register - Key Risks (Red or Amber rated) <b>Appendix 3</b> - Pension Fund Risk Register - Lower Risks (Green rated)

**Section 1 – Summary and Recommendation**

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

**Recommendation:**

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

## Section 2 – Report

### Background

1. In accordance with best practice the Pension Fund has a risk register which was first considered by the Pension Fund Committee in March 2015. The risk register has since been reviewed regularly, most recently at the Committee’s meeting on 23 November 2022. The Pension Board will be considering the Risk Register on 12 July 2023 and their comments will be reported to the Committee.
2. In reviewing the existing risk register, officers have followed the Council’s standard practice and approach to the scoring of each risk (assessing the likelihood and impact on the Pension Fund) – this is set out at Appendix 1, which also indicates which risk numbers are associated with each risk score.
3. The revised presentation of the risks agreed by the Committee in November 2020 is retained. This highlights in a single list (Appendix 2) the twelve risks whose scores equate to an “Amber” (8 risks) or “Red” rating (5 risks). It is these risks which are likely to have the biggest impact on the Fund and hence require particularly close attention.
4. Those risks which are considered lower and whose current scores equate to a “green” rating” (24 Risks) are shown in appendix 3. As agreed in November 2020, those risks which are really “business as usual” activity and managed operationally on a day to day basis have been removed from the risk register. Those continue to be scored as “likelihood is very low or almost impossible”, and “impact is marginal or negligible” (E3, E4 or F3). This action does not preclude any of the items being escalated to the significant risks list should they increase in likelihood or impact in the future.
5. A number of the key risks are unchanged since the last review. However, further mitigations have been identified against some of those risks shown in Appendix 2.
6. At the last review, a new red risk was identified – this relates to the Fund becoming more cash negative from 2022/23 as a result of the increase in Pensions payable (this is linked to the Consumer Prices Index - CPI) and a reduction in the employer contributions from April 2023. In the register, the approaches to mitigating this risk by ensuring adequate liquidity in the Fund’s investments are set out. The actuary has developed a long-term cash flow model which is being used to inform the Fund’s review of its Investment Strategy which is currently in progress. Once that work has been completed it is expected that the risk will be reduced, at least to amber. The cash flow position does not at this point impact on the long-term solvency of the Fund – this is addressed in the Triennial Valuation and was reflected in the Funding Strategy Statement approved by the Committee at its meeting on 29 March 2023.

7. As previously reported, three of the four “red risks” relate to the performance of the Fund’s Investments. These, and some of those risks scored amber are linked to the impact of economic and market events which are outside of the Fund’s control. Therefore, whilst the Committee puts in place a range of mitigatory measures (for example diversification between asset classes and managers, the engagement of appropriately qualified external professionals to provide investment or actuarial advice, and regular monitoring and review of the fund’s investments and liabilities), ultimately these risks cannot be eliminated or managed down to a level where the impact is negligible. They have to be tolerated whilst continuing to apply these mitigating measures appropriately.
8. The remaining red risk relates to the Regulatory impact of Court judgements, particularly the McCloud Judgement, which the Committee has previously been made aware of. Work to mitigate this risk by collecting additional historic data from employers continues. At present the Government has still not provided details of how McCloud will be implemented in the LGPS, and until this happens the precise impacts cannot be quantified.

## **Legal Implications**

9. There are no direct legal implications arising from this report.
10. The Pension Fund Committee has the following powers and duties:
  - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
  - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers’ Superannuation Regulations;
  - iii. to administer all matters concerning the Council’s pension investments in accordance with the law and Council policy;
  - iv. to establish a strategy for the disposition of the pension investment portfolio; and
  - v. to appoint and determine the investment managers’ delegation of powers of management of the fund;

## **Financial Implications**

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

## **Risk Management Implications**

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

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

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

## **Council Priorities**

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

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

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

Signed by the Chief Financial Officer

**Date: 11 July 2023**

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

Signed on behalf of the Monitoring Officer

**Date: 4 July 2023**

### **Chief Officer: Dawn Calvert**

Signed on behalf of the Chief Executive

**Date: 11 July 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](mailto:bola.Tobun@harrow.gov.uk)  
Telephone 020 8420 9264

**Background Papers:** None

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PENSION FUND RISK REGISTER

LIKELIHOOD				
A Very high				
B High				
C Significant	G22	4,5,7	8, 9, 10, 12,13	
D Low	G21	G1, G5, G6, G8, G9, G10, G14	1, 2, 3, 6, 11	
E Very Low		G2	G3, G4, G7, G12, G13, G15, G16, G17, G18, G19, G20, G23, G24	
F Almost Impossible			G11	

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

DEFINITION OF TERMS

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

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

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**PENSION FUND RISK REGISTER -  
KEY RISKS**

**APPENDIX 2**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
<b>REGULATORY</b>									
1	Changes to national pension requirements and/or HMRC rules not being implemented.	The Administering Authority considers all consultation papers and new regulations and, with assistance from its advisers and suppliers, implements them as appropriate.	D2	D2	Officers monitor current developments through liaison with suppliers and specialist advisers, and participation in network discussions with peers in other LGPS funds.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
<b>FUNDING - ASSETS AND LIABILITIES</b>									
2	The Fund's assets are not sufficient to meet its long term liabilities. Fall in returns on Government bonds leading to rise in value placed on liabilities and an increase in deficit	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations, and monitored between those valuations. Funding Strategy Statement sets out plans / approach to ensure that assets are sufficient to meet liabilities in full over the long term (lifetime of the Fund). The Fund's investment strategy, as described in the Investment Strategy Statement, is regularly reviewed to seek to ensure that optimum returns are realised to meet its liabilities. Stabilisation modelling (to determine contribution rates) allows for the probability of the fall in returns on Government bonds within a long term context.	D2	D2	The 2022 Triennial Valuation now completed. That identified an improvement in the funding level of past service liabilities, and set employer contribution rates which are appropriate to ensure the long term solvency of the Fund. The valuation process included "stress testing" of a number of scenarios to determine whether the long term funding plan is sufficient to withstand "unexpected shocks". A further review of the Investment Strategy is underway, to ensure that this remains appropriate going forward.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
3	The relative movement in the value of the Fund's assets does not match the relative movement in the Fund's liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The Funding Strategy and Investment Strategy Statements are regularly reviewed in line with the triennial valuation with the objective of ensuring the long term solvency of the Fund.	D2	D2	The Fund receives quarterly updates of its valuation based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
4	Pay and price inflation is higher than anticipated increasing the value of liabilities	Fund assets and liabilities are subject to regular assessment through triennial actuarial valuations. The focus of the actuarial valuation is on real returns on assets, net of pay and price increases. Inter-valuation monitoring provides early warning of of adverse movements. Some investment in bonds helps to mitigate risks.	C3	C3	The Fund receives quarterly updates of its valuation based upon a "roll forward" of data and assumptions used in the most recent triennial valuation.	Treasury and Pensions Manager	C3	ongoing	Director of Finance

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
5	Demographic factors change increasing the cost of Fund benefits thereby increasing liabilities.	At each triennial valuation assumptions are reviewed to ensure that they remain appropriate.	C3	C3		Treasury and Pensions Manager	C3	ongoing	Director of Finance
<b>FUNDING - INVESTMENT STRATEGY</b>									
6	Long term investment strategy in relation to fund liabilities is inappropriate	External investment adviser, actuary and performance measurement consultant provide specialist guidance, including asset/liability and other modelling, to the Pension Fund Committee. Independent Advisors provide additional scrutiny, testing and validation of their work. Investment strategy options are considered as an integral part of the funding strategy. Strategy is documented, regularly reviewed and approved by Pension Fund Committee. Strategy is in accordance with LGPS investment regulations. The Pension Fund Committee has explicitly considered its tolerance of risk and this is reflected in its asset allocation strategy.	D2	D2	The review of the Investment Strategy is in progress.	Treasury and Pensions Manager	D2	ongoing	Director of Finance
7	Significant allocation to any single asset category and its underperformance relative to expectation. Failure of individual investments to perform up to expectation	Diversified investment strategy and investment management structure minimises impact at fund level of any individual investment failure. Performance measurement consultant and investment adviser supply regular review of the performance of the portfolio as a whole and of the individual managers. Asset allocation is periodically reviewed and adjustments made if required. Fund rebalancing to benchmark allocation is considered on a quarterly basis against relevant triggers.	C3	C3		Treasury and Pensions Manager	C3	ongoing	Director of Finance
8	General fall in investment markets leading to poor performance.	The Committee, as advised by the actuary considers long term returns. Diversification between asset classes and regular monitoring of investment performance.	C2	C2		Treasury and Pensions Manager	C2	ongoing	Director of Finance

70

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
9	Failure by fund managers to achieve benchmark (passive) or performance target (active) returns for their given mandates	Diversification of managers and asset classes mitigates the impact of a single manager under-performing. Managers are selected via an extensive process of "due diligence." Manager performance is reviewed by Committee at each meeting against benchmark and performance objectives and with investment adviser's report; poor performance is highlighted and addressed by the Committee and officers. Most of the Fund's investments are now managed via London CIV. LCIV monitors the underlying managers and updates client funds regularly on the outcome. Regular dialogue is maintained with the investment advisers, LCIV and "off pool" managers. The Committee meets LCIV and off pool managers periodically, and officers maintain regular contact. Procurement frameworks and adviser's advice are used to fast track the appointment of new managers if changes are required	C2	C2	As Investment pooling is progressed, the London CIV adds an additional level of monitoring and scrutiny of managers, and offers options to improve speed of implementation if changes in manager are required.	Treasury and Pensions Manager	C2	ongoing	Director of Finance
10	Fund assets fail to deliver returns in line with anticipated returns underpinning the triennial valuation	Long term returns are anticipated on a prudent basis and progress is analysed on at least a three year's basis. Assets are invested on the basis of specialist advice in a suitably diversified manner across asset classes, geographies, managers etc.	C2	C2		Treasury and Pensions Manager	C2	ongoing	Director of Finance
NEW	<b>CASH FLOW</b>								
	<b>OPERATIONAL</b>								
11	Concentration of knowledge in a small number of officers and risk of departure of key staff	Appoint suitably qualified staff. Ensure training and succession planning in place	D3	D2	With small teams it is in practice difficult to eliminate this risk. However, mitigating measures to improve resilience include training team members to enable coverage of key tasks to be maintained.	Treasury and Pensions Manager	D2	ongoing	Director of Finance

71

**PENSION FUND RISK REGISTER -  
KEY RISKS**

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
<b>KEY RISKS</b>									
12	Regulatory impact of court judgements creates significant administrative workload	McCloud judgement, relating to "age equality" impact of transitional arrangements for the move from the 2008 "final salary" to the 2014 "career average" scheme requires review and recalculation for a significant part of the Fund's members.	C2	C2	Discussions ongoing at national level, including with software suppliers, to set a realistic timescale for implementation of changes. Officers monitoring these discussions whilst assessing workload impacts and possible approaches to manage this.	Treasury and Pensions Manager	C3	ongoing	Director of Finance
<b>NEW CASH FLOW</b>									
13	The Fund requires sufficient liquidity to pay pensions as these fall due. The Fund is already slightly cash flow negative - this will increase from April 2023.	The recent significant increase in inflation is likely to lead to a similar (10.1%) increase in pensions payable from April 2023, while at the same time the contributions payable by employers will decrease as a result of the long term funding position identified in the 2022 triennial valuation.	C2	C2	The Fund's strategic asset allocation means that 80% of its investments are held in funds which have high (daily or weekly) liquidity - this means that cash can be withdrawn easily when required. Now that the 2022 Triennial valuation is completed, a review of the Fund's Investment Strategy is in progress. The need for adequate liquidity requirements forms part of that review - to assist that work, the Fund's actuary has provided a long term cash flow forecast . A number of the Fund's current investments are in funds which are straightforward to switch from "non distributing" to "distributing share classes" should that be appropriate.	Treasury and Pensions Manager	C3	ongoing	Director of Finance

72



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

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

73

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

Risk number			Risk Rating at inception (after controls)	Current risk rating (after controls)	Controls underway or planned	Control owner	Target risk rating	Target date	Risk owner
G6	Failure to maintain proper oversight of the administration of the Fund	The Pension Fund Committee has responsibility for exercising the Administering Authority's responsibilities clearly set out in its terms of reference. The Pension Board provides support and constructive challenge to support the oversight of the administration of the Fund.	D3	D3	Regular reports on Administration Performance are considered quarterly by the Pension Board.	Treasury and Pensions Manager	E3	ongoing	Director of Finance & Assurance
<b>FUNDING - ASSETS AND LIABILITIES</b>									
G7	Pension Fund objectives are not defined and agreed	Objectives are defined in the Funding Strategy Statement which is reviewed regularly by the Pension Fund Committee	E2	E2	Updated Funding Strategy Statement approved by Committee in March 2023 at the conclusion of the 2022 Triennial valuation process.	Treasury and Pensions Manager	E2		Director of Finance & Assurance
G8	The Fund's pensioners are living longer than assumed in actuarial assumptions thereby increasing liabilities.	At each triennial actuarial valuation life expectancy assumptions are specifically reviewed taking into account both national and local longevity experience. The Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might affect the assumptions underpinning the valuation	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G9	Increase in number of early retirements due to service reductions and/or ill-health retirements.	Employers are charged the "strain" cost of non-ill-health retirements; ill health retirement experience is closely monitored. Controls are included in admission agreements for new bodies joining the Fund and insurance may be available. Experience between triennial valuations is monitored and incorporated in the valuation process.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G10	Structural changes in an employer's membership (eg fall in active membership) leading to non-recovery of past service deficits	Monitor at each valuation and appropriate investment strategy is implemented. Past service deficits are being recovered by cash rather than percentage of payroll.	D3	D3		Treasury and Pensions Manager	D3		Director of Finance & Assurance
G11	Insufficient assets to meet short and medium term liabilities	Medium term requirements are regularly reviewed, and cashflow is monitored and reconciled on a daily basis. Most of the Fund's investments are liquid and can be accessed relatively quickly.	E2	F2		Treasury and Pensions Manager	F2		Director of Finance & Assurance
G12	Reductions in payroll causing insufficient deficit recovery payments	Reviewed at triennial valuation. Stabilisation mechanism permits appropriate contribution increases. Deficit contributions for largest employer are a fixed monetary amount rather than a percentage of payroll.	E2	E2		Treasury and Pensions Manager	E2		Director of Finance & Assurance

74

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

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

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

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