

REPORT FOR: Pension Fund Committee

Date of Meeting:	23 September 2014
Subject:	Information Report – London Borough of Harrow Pension Fund: Annual Report and Financial Statements for the year ended 31 March 2014
Responsible Officer:	Simon George, Director of Finance and Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – London Borough of Harrow Pension Fund: Annual Report and Financial Statements for the year ended 31 March 2014 Appendix 2 – Report of Fund Auditor Appendix 3 – Summary of Investment Manager and Other Costs

Section 1 – Summary and Recommendations

The report sets out the London Borough of Harrow Pension Fund Annual Report and Financial Statements for the year ended 31 March 2014 and the report of the Auditor (Deloitte LLP) to Governance, Audit, Risk Management and Standards Committee. It also provides details of investment manager and other costs incurred by the Fund

FOR INFORMATION

Section 2 – Report

Annual Report and Financial Statements

1. Attached as Appendix 1 is the audited Annual Report and Financial Statements for the year ended 31 March 2014. The Committee received the draft of the Report at their meeting of 29 July 2014 and the audited version includes amendments agreed with the Auditor and requested by the Committee. The most significant amendments are as follows:
 - Page 5 – change in number of deferred pensioners 2012-13 from 6033 to 5569 as identified by the Auditor
 - Page 11 - change in 1 year benchmark from 8.9% to 8.5% as advised by WM Performance Services
 - Pages 13 and 14 – changes in “Procedures in place to manage the volatility of investments include” as requested by the Committee:
2. The Annual Report and Financial Statements have been signed by the Director of Finance and Assurance and the Auditor in accordance with Regulations.
3. Attached as Appendix 2 is the report of the Auditor to Governance, Audit, Risk Management and Standards Committee which was received by them on 17 September 2014
4. The value of the Fund increased by £38.6m in the year reflecting strong performance in the equity and property markets. The Fund continues to mature in that benefit payments exceed contributions. This trend can be expected to continue as the number of pensioners grows and active membership either stabilises or falls. However, when investment income is taken into account, cashflow remains positive. The impact of falling membership, longevity and pension increases will steadily increase future cash outflows which, in the longer term, may have to be factored into the investment strategy. Discussions with the Actuary on longer term cashflow modelling are ongoing.

Investment Manager and Other Costs

5. Attached as Appendix 3 is a schedule of the estimated costs incurred by the Fund. Fund manager fees are mainly charged direct to pooled funds and only appear in the Fund’s accounts within the change in market value of investments.
6. Total costs are approximately £4.31m comprising £3.12m for investment managers and £1.19m for other expenses. Both have increased over 2012-13 by £0.56m and £0.22m respectively.

7. The most significant variances between the two years are:

	£m
New Diversified Growth mandate to Barings	0.22
New Diversified Growth mandate to Standard Life	0.16
Effect of increased value of Wellington assets	0.06
Effect of increased value of Longview assets	0.06
Revised estimate of underlying managers' fees	0.09
Effect of reduced value of Fidelity assets	(0.07)
Payroll costs in respect of pensions payslips	0.10
Costs of Hymans Robertson arising from triennial valuation and services for employers	0.06
Costs of Aon Hewitt manager selection reports and advice	0.05

8. The aggregate costs represent 0.70% of the Fund value
9. The rebates received from Wellington and Fidelity have remained in total at the level of £0.7m as received in 2012-13

Financial Implications

10. These are all contained within the report and Appendices.

Equalities implications

11. Was an Equality Impact Assessment carried out? No
12. There are no proposals in this report which directly affect individuals.

Council Priorities

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

Section 3 - Statutory Officer Clearance

Name	Simon George	<input checked="" type="checkbox"/>	Director of Finance and Assurance
Date:	10 September 2014		
Name:	Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date:	10 September 2014		

Ward Councillors notified:	NO
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Section 4 - Contact Details and Background Papers

Contact: Ian Talbot, Treasury and Pension Fund Manager
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