

REPORT FOR: Pension Board

Date of Meeting:

2 November 2015

Subject:

London Borough of Harrow Pension Fund:
Annual Report and Financial Statements
for the year ended 31 March 2015

Responsible Officer:

Dawn Calvert, Director of Finance

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 2015
Appendix 2 – Report of Fund Auditor

Section 1 – Summary and Recommendation

Summary

The report sets out the London Borough of Harrow Pension Fund Annual Report and Financial Statements for the year ended 31 March 2015 and the Report of the Auditor (Deloitte LLP) to Governance, Audit, Risk Management and Standards Committee. The Board are invited to comment.

Recommendation

That the Board consider the Annual Report and Financial Statements for the year ended 31 March 2015 and the Report of the Fund Auditor and agree any comments they wish to pass on to the Pension Fund Committee.

Section 2 – Report

1. Attached as Appendix 1 is the Annual Report and Financial Statements of the Pension Fund for the year ended 31 March 2015.
2. Attached as Appendix 2 is the report of the Auditor to Governance, Audit, Risk Management and Standards Committee which was considered by them on 10 September 2015
3. The Board are invited to comment on any part of the Report and the comments below are offered to assist in this consideration:

Introduction (Page 3)

Provided by Director of Finance highlighting that during the year the net assets of the Fund increased from £590.8m to £674.8m and the Fund was ranked 14th (out of 81) in the local authority annual league table of investment returns for the year.

Audit Statement (Page 4)

Unqualified.

Scheme Overview (Page 6)

Number of pensioners showing an increase from 4,713 in 2011-12 to 5,294 in 2014-15.

Number of deferred pensioners showing an increase from 5,227 in 2011-12 to 6,323 in 2014-15.

Number of active members stable – 5,506 in 2011-12 and 5,526 in 2014-15

Last actuarial valuation showed a funding level of 70%

Account for year ended 31 March 2015 (Page 18)

	£m
Contributions by members and employers	- 29.3
Benefits paid	34.3
Investment income	-10.9

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.

Actuarial Statement for 2014-15 (Page 45)

Deficit at the 2013 valuation was £234m (30%) but “there is still a better than 50% chance that the Fund will return to full funding over 20 years.”

Governance Compliance Statement

Largely fully compliant – the Board may wish to review this at their next meeting.

Communications Policy Statement

The Board may wish to review this at their next meeting.

Statement of Investment Principles

The Board are invited to review this elsewhere on the agenda.

Funding Strategy Statement

This will be reviewed by officers and the Actuary during the triennial valuation in 2016 and the Board will be kept informed.

Report of Fund Auditor

The Report describes the review carried out by the Auditor and their conclusions.

The conclusions were almost entirely positive with only one recommendation on page 10 of their report as follows:

The pensions team have implemented a risk register following a previous recommendation made by Deloitte. Our review of the register indicated that certain significant risk definitions (namely contributions and benefits) were not sufficiently robust as to anticipate the full range of potential risk areas.

A revised risk register will be considered by the Pension Fund Committee at their meeting on 25 November taking on board this recommendation.

Financial Implications

4. Whilst this report discusses several aspects of the financial standing of the Pension Fund there are no financial implications arising directly from it.

Risk Management Implications

5. Apart from the risks raised by the Auditor in their report all risks are included within the Pension Fund Risk Register.

Equalities implications

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

Council Priorities

7. 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: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 21 October 2015		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 16 October 2015		

Ward Councillors notified:	Not applicable
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Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None