

REPORT FOR: Pension Fund Committee

Date of Meeting: 25 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

This report presents the audited Pension Fund Annual Report and Financial Statements for the year ended 31 March 2015.

Recommendations

The Committee are recommended to:

1. Consider the report of the External Auditor on matters arising from the audit of the Pension Fund Annual Report and Financial Statements for the year ended 31 March 2015.
2. Approve the audited Pension Fund Annual Report and Financial Statements for the year ended 31 March 2015.

Section 2 – Report

1. At their meeting on 8 September the Committee received “for information” the draft Annual Report and Financial Statements for the year ended 31 March 2015. The Committee were advised that, at that time, the Auditor had not signed off the Report and that they would be asked to approve the final audited version at their meeting on 25 November.
2. On 10 September the Governance, Audit, Risk Management and Standards Committee noted the Report and specifically asked that, in respect of the single “current period control observation” made by the Auditor the Director of Finance provides “an explanatory note” to the Pension Fund Committee. This is included in paragraph 7 below.
3. On 24 September 2015 the Auditor signed off the Annual Report and Financial Statements of the Pension Fund for the year ended 31 March 2015 with no amendments to the version as seen by the Committee on 8 September 2015.
4. Attached as Appendix 1 is the Annual Report and Financial Statements of the Pension Fund for the year ended 31 March 2015.
5. 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
6. To assist in the Committee’s consideration they are advised of the following key points:

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 and will be reported to the Committee during 2016.

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

Statement of Investment Principles

The Committee 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 Committee will be kept informed.

Report of Fund Auditor

The Report describes the review carried out by the Auditor and their conclusions. This is discussed further in paragraph 7 below.

7. The conclusions of the Auditor were almost entirely positive with only one observation 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.

The Auditor’s recommendation is that:

We recommend that the pensions staff with oversight of these areas have a greater level of input into detailing all potential risks and appropriate responses.

The current risks included as numbers 30 and 31 in the risk register are as follows:

30. Failure to comply with LGPS pensions benefits regulations (eg as a result of incorrect benefit calculations and the holding of incorrect data)

31 Contributions to the Fund are not received, processed and recorded completely and accurately in accordance with scheme rules

The Committee will be invited to review the whole of the risk register at their meeting on 9 March 2016 and various improvements will be recommended. These will include the implementation of the Auditor's recommendation. The Auditor will be advised of the actions taken prior to starting the 2015-16 audit.

Financial Implications

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

Legal Comments

9. Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires that an administering authority must produce an annual report containing certain specified matters. The report must be published before 1 December of the scheme year end.

Risk Management Implications

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

Equalities implications

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

Council Priorities

12. The financial health of the Pension Fund directly affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Chief Financial Officer

Date: 16 November 2015

Name: Caroline Eccles on behalf of the
Monitoring Officer

Date: 16 November 2015

Ward Councillors notified: Not applicable

Section 4 - Contact Details

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

Background Papers - None