

REPORT FOR: Pension Board

Date of Meeting: 20 June 2017

Subject: **Information Report - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2017**

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards Affected: All

Enclosures: Appendix – London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2017

Section 1 – Summary and Recommendation

Summary

This report presents the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2017 on which the Board's comments are invited.

Section 2 – Report

1. Attached is the Pension Fund draft Annual Report and Financial Statements for the year ended 31 March 2017.

2. The audit of the Accounts by KPMG LLP will commence in June and approval will be sought as part of the Council's overall Accounts from Governance, Audit, Risk Management and Standards Committee on 5 September 2017. The Board will be updated on progress at their next meeting on 12 September 2017.
3. To assist in the Board's consideration they are advised of the following key points:

Introduction (Page 3) and Fund Performance (Page 10)

During the year the net assets of the Fund increased from £661.0m to £806.6m.

The Board have been advised that the performance measurement service previously provided by State Street Global Services, which included an annual report on the Fund's performance, would not be available after 31 March 2016. Along with most other administering authorities of the Local Government Pension Scheme (LGPS) the Fund has signed up to a similar but less extensive service being provided by Pensions and Investment Research Consultants (PIRC). The information necessary to complete the Director's comments and the "Fund performance" paragraphs has not yet been received but the Fund has been advised that out of the PIRC universe of approximately 60 LGPS funds the Harrow annual return performance has been as follows:

	Annual Performance (%)	Percentile
1 year	22.4	24
3 years	11.4	34
5 years	11.1	26

Audit Statement (Page 4)

To be provided in September 2017.

Accounts for year ended 31 March 2016 (Page 16)

	£m
Contributions by members and employers including transfers	- 32.6
Benefits paid including transfers	33.6
Investment income	-10.3
Management expenses (including fees charged by investment managers of £4.0m)	5.2
Increase in market value of investments	-141.6

Scheme Overview (Page 19)

Number of pensioners showing an increase from 5,087 in 2013-14 to 5,557 in 2016-17.

Number of deferred pensioners showing an increase from 6,023 in 2013-14 to 6,912 in 2016-17.

Number of active members remaining relatively stable at 5,582 in 2013-14 and 5,644 in 2016-17.

The Fund continues to mature in that benefit payments exceed contributions. This trend towards maturity can be expected to continue as the number of pensioners grows and active membership either stabilises or falls. However, when investment income is taken into account, cashflow remains positive. The impact of stable 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 Pension Fund Committee on 28 June 2017.

4. The appendices to the Accounts have, as appropriate, been reviewed by the Board and the Committee during the last few months.

Financial Implications

5. 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

6. 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

7. All risks are included within the Pension Fund Risk Register.

Equalities implications

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

Council Priorities

9. 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	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 6 June 2017		
Name: David Hodge	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 7 June 2017		

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