

REPORT FOR: Pension Fund Committee

Date of Meeting: 27 June 2018

Subject: **Information Report** - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2018

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 2018

Section 1 – Summary and Recommendation

Summary

This report presents the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2018 on which the Committee's comments are invited.

Section 2 – Report

1. Attached is the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2018.
2. The audit of the Accounts by KPMG LLP commenced in July and approval will be sought as part of the Council's overall Accounts from Governance, Audit, Risk Management and Standards Committee on 4 September 2018.

The Committee will be updated on progress at their next meeting on 12 September 2018.

3. To assist in the Committee's consideration they are advised of the following key points:

Introduction (Page 3) and Fund Performance (Page 11)

During the year the net assets of the Fund increased from £806.6m to £816.1m (a group bulk transfer to LB Hillingdon Pension Fund of £31m took place in March 2018.)

The Committee 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). Performance information included in the Director's comments and the "Fund performance" paragraphs is therefore limited but the Fund has been advised that out of the PIRC universe of 61 LGPS funds the Harrow annual return performance has been as follows:

	Annual Performance (%)	Percentile
1 year	5.3	10
3 years	8.2	32
5 years	9.5	20

Audit Statement (Page 4)

To be provided in September 2018.

Accounts for year ended 31 March 2018 (Page 17)

	£m
Contributions by members and employers including transfers	- 39.0
Benefits paid	33.3
Transfers out including employer bulk transfer to LB Hillingdon	34.8
Investment income	-11.3
Management expenses (including fees charged by investment managers of £4.3m)	5.5
Increase in market value of investments	-32.8

Scheme Overview (Page 20)

Number of pensioners showing an increase from 5,294 in 2014-15 to 5,760 in 2017-18.

Number of deferred pensioners showing an increase from 6,323 in 2014-15 to 7,115 in 2017-18.

Number of active members remaining relatively stable at 5,526 in 2014-15 and 5,557 in 2017-18.

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.

4. The appendices to the Accounts have, as appropriate, been reviewed by 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: 14 June 2018		

Ward Councillors notified:	Not applicable
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Section 4 - Contact Details

Contact: Iain Millar, Treasury and Pensions Manager 0208
424 1432

Background Papers - None