

PENSION BOARD

MINUTES

11 JULY 2019

Chair: * Mr R Harbord

Board Members: * Councillor James Lee Harrow Council, Employer Representative
* Gerald Balabanoff (VC) Scheme Members' Representative - Pensioners

* Denotes Member present

37. Declarations of Interest

RESOLVED: To note that the following interests were declared:

All agenda items

Gerald Balabanoff declared a non-pecuniary interest in that he was in receipt of a Harrow pension. He would remain in the room whilst the matters were considered and voted upon.

38. Minutes

RESOLVED: That the minutes of the meeting held on 28 March 2019, be taken as read and signed as a correct record.

39. Appointment of Vice Chair

RESOLVED: To appoint Gerald Balabanoff as Vice-Chair of the Board for the 2019/2020 Municipal Year.

40. Public Questions, Petitions and Deputations

RESOLVED: To note that none were received.

RESOLVED ITEMS

41. Pension Fund Committee Meeting - 26 June 2019

The Board considered the minutes of the Pension Fund Committee meeting held on 26 June 2019 which were circulated at the meeting.

A copy of the new investment and management performance dashboard report prepared by Aon which was discussed by the Committee was also circulated to the Board. It was noted that the dashboard brought together all elements of the Pension Fund as of 31 March 2019 on two pages. The officer stated that the intention was to produce the dashboard on a quarterly basis and as part of this to flag up any potential risks. The Board noted that the Fund was on track regarding improving performance and the longer term performance was good. The Board noted the move into cash manager in order to derisk and ensure protection against volatility

The officer drew the attention of the Board to the following:

- the holding in Aberdeen Standard Investments had been sold in April 2019 and the funds had been invested in fixed income multi-asset credit fund managed by the London CIV (Collective Investment Vehicle);
- the disinvesting in Pantheon (no new investment) as it was maturing and had served its purpose;
- commercial property was in review partly because of the management restructure from Aviva to LaSalle;
- Longview was an equity manager with a small number of stocks for a long period which had done extremely well.

With regard to minute 81 on the Actuarial Valuation 2019, the Chair indicated that he had attended the training prior to the Committee meeting and would like to be present for the discussion on the issue of assumptions.

RESOLVED: That the report be noted.

42. Pension Administration Performance Monitoring

The Board received a report on performance monitoring information for the quarter ending 31 March 2019.

An officer stated that the actuarial valuation year reports had verified that the administration had been accurate and complete. The performance of the team that undertook pension administration had been good with records complete and correct, and submitted well in advance. The Pension Fund was maturing in comparison with the previous year.

The Chair stated that he was always impressed by pension administration in Harrow and noted that there had been no known breaches of law or internal disputes in the current financial year.

RESOLVED: That the report be noted.

43. London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for Year Ended 31 March 2019

The Board received the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2019. It was noted that during the financial year the net assets of the Fund had increased from £816.1m to £851.3m.

An officer reported that the audit process had resulted in an expected clean audit opinion. The Statement of Accounts was due for submission to the Governance, audit, risk management and standards Committee (GARMS) the following week. The Board was advised that the Pension Fund Committee had made a number of comments mainly seeking clarification and questions regarding assumptions and methodology, some of which had been reflected in the revised set of accounts. The appointment of new Council auditors, Mazars, had resulted in the expectation of increased challenges, however no recommendations had been made. As a result of a post balance sheet variation arising from legal challenges, clarification was being sought as to whether the S151 report required variation by £1.9m. As it was below the materiality threshold no change was required from the point of view of the Council. An update on the McCloud case on pensions funding would be presented to the Board

In response to an observation by a Panel Member, the officer undertook to delete the repetition in the pension section overview on page 7 of the annual report and reference to an e) on page 6.

The Board was advised that the fund continued to mature in that benefit payments exceeded contribution and that the impact of a maturing fund would need to be reflected on in the medium and longer term. However, when investment income was taken into account cash flow remained positive. In response to a question, the officer reported that the transitional costs and fees would rise according to the size of the fund, which was a growth fund. The Chair stated the need to minimise the management fees which would reduce with the London CIV.

A Board Member referred to the costs of running the Pension Fund and asked whether they were transparent costs. The Board was advised that they were direct costs and there was a requirement in the template to show underlying costs that were not charged. The CIV was required to complete the same template.

RESOLVED: That the report be noted.

44. Pension Board Work Programme 2019-20

The Board received a report of the Director of Finance, which reviewed the Board's actions to date and invited members to comment on the suggested Work Programme for 2019-20.

The Chair referred to the need to recruit and train new Board members. The officer advised that there was an obligation to provide training for new members of the Pension Board. In addition, the Chair considered that the Board needed a training update and suggested that the training be held prior to a Board meeting. Following discussions, the officer undertook to invite an actuary to undertake training on the actuarial valuation prior to the 12 December 2019 meeting. It was agreed that Members would inform the officers of the details of any courses that they attended that they would recommend.

The Board Members expressed concern that there were two vacancies on the Board membership and discussed the problem of achieving a quorum of three when only three members had been currently appointed. The officer undertook to organise publicity to advertise the two vacancies. A Board Member referred to the employer organisations within the Harrow Pension Fund as listed in the report and suggested that a finance manager of a larger scheduled body could have the skills and interest to undertake the role. The Harrow Council Employer Representative suggested that a Reserve Member be appointed to the Board.

It was noted that, should the current number of vacancies continue, if a member could not be in attendance the meeting would not be able to proceed. Members of the Board expressed the view that the best solution was to amend the constitution in order to increase the membership of the Board. The officers undertook to accordingly examine the constitution and submit a report to the next Pension Board meeting for referral to Council.

RESOLVED: That the officers prepare a report for the next Pension Board meeting to examine the possibility of increasing the membership of the Board.

(Note: The meeting, having commenced at 7.00 pm, closed at 7.45 pm).

(Signed) RICHARD HARBORD
Chair