

PENSION BOARD VIRTUAL MEETING MINUTES

17 SEPTEMBER 2020

Chair: * Mr R Harbord

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

In attendance: (Officers) Dawn Calvert Director of Finance and Assurance
Jeremy Randall Interim Pensions Consultant

* Denotes Member present

64. Declarations of Interest

RESOLVED: To note that the declarations of interests, which had been published on the Council website, be taken as read.

65. Appointment of Vice Chair

RESOLVED: That Gerald Balabanoff be appointed as Vice-Chair of the Pension Board for the 2020/21 Municipal Year.

66. Minutes

RESOLVED: That the minutes of the meeting held on 8 January 2020 be taken as read and signed as a correct record, with the following comments noted:

- With reference to minute item 59, that the outstanding report on future performance measurements be completed.
- With reference to minute item 60, that there were no active unresolved complaints and the figure in the latest report be therefore amended to zero.
- With reference to minute item 61, that copy of the TPR report be circulated to the Pension Board.

67. Public Questions

RESOLVED: To note that no public questions had been received.

68. Petitions

RESOLVED: To note that no petitions had been received.

69. Deputations

RESOLVED: To note that no deputations had been received.

Resolved Items

70. Pension Fund Committee - 9 September 2020

The Board received a report and a further update set out in the supplemental agenda, which summarised the matters considered by the Pension Fund Committee at its virtual meeting on 9 September 2020.

The Chair advised the Board of his attendance at the meeting as an observer.

Pension Board Members welcomed the report and did not raise any further comments.

RESOLVED: That the report be noted.

71. London Borough of Harrow Pension Fund: Draft Annual Report, External Audit Plan and Financial Statements for the year ended 31 March 2020

The Board received report which set out the draft Pension Fund Annual Report, External Audit Plan and Financial Statements for the year ended 31 March 2020.

The officer explained that the audit of the Pension Fund (PF) accounts, alongside the Council's main accounts, was currently in progress and was due to be completed in time for reporting to the Council's Governance, Audit, Risk Management and Standards Committee on 22nd October 2020. The final report would be published by 1st December 2020.

It was explained that the Fund continued to mature and this was likely to continue as the number of pensioners grew while that of active members remained stable or decreased. The officer reported a slight increase in the number of pensioners in 2018-19 and decrease in the number of active members. The Council remained the biggest employer with 82% of the members.

It was also reported that the net assets of the Fund decreased from £851.3m to £777.8m which reflected the fall in markets over the last quarter of the year due to the Covid-19 pandemic and the fact that “lockdowns” in major economies had commenced shortly before the reporting date of 31 March 2020. However, there had been significant recovery since then and by the end of July 2020 the Fund value was at £877m.

Referencing the report, a Board Member wished to place on record that they believed there was an inaccuracy and that the Pension Board was in fact legally incompliant by way of the size of its existing membership. Officers clarified that the Pension Board was part of the Council’s governance arrangements and not the Pension Fund’s legal structure, and that the Board membership would be further discussed later on the agenda (minute item 73 refers).

In response to a question regarding the annual return performance figures for years 3 and 5 falling below the benchmark, the officer explained that the Pension Fund was reviewing its investment strategy and was working with Aon to address issues relating to the strategic allocation of funds as well as the equities portfolio.

Referencing the cumulative cost of pooling for the Pension Fund to 31 March 2020, officers advised that some investments were now managed by collective arrangements negotiated by the London CIV, therefore some benefit in terms of fees paid to investment managers could be expected. However, it was premature to provide estimates for 2020/21 at this stage as these were driven by the value of the assets under management, with any changes in valuations likely to affect the amount of fees paid.

In response to questions regarding the increase in administrative costs, officers explained that these were due to a number of factors such as an increase in oversight and governance training, actuary fees and possible software changes.

The Pension Board noted that the valuation of the Pension Fund as at 31 March 2020 was depressed, as a result of which the deficit on the Fund had been increased and queried the exact figures. Officers explained that the fees were set out in the authority’s main accounts as they related to the authority’s position as an employer and undertook to provide further details following the meeting.

The officer stated that the PF was expected to invest 7.5% of the fund in the CIV infrastructure fund but it was unclear at this stage whether renewables

would be included in the bid. The Board was reminded that the investment strategy was currently being reviewed.

Responding to questions on the impact of the McCloud judgement on the PF and its overall cost for implementing it, officers acknowledged that the process was likely to be administratively burdensome, with an estimated 20 - 25 % of the scheme members likely to be affected. Work was currently underway to quantify the exact impact although exact implementation would ultimately be dependent on the new Local Government Pension Scheme (LGPS) regulations which had not been issued yet.

The Board thanked officers for the report and requested that a report on the effects of the McCloud judgement on Harrow's Pension Fund be brought to the next meeting.

RESOLVED: That the report be noted.

72. Pensions Administration Performance Monitoring to 30 June 2020.

The Board received a report, summarising the performance of the Pension Administration team for the quarter ending 30 June 2020.

In noting the complexity of the last quarter due to the Covid-19 pandemic, the officer reported that there had been a slight increase in the number of pensioners (6,004 to 6,107) and decrease in the number of active members (5,410 to 5,394), compared to the previous quarter. Referencing Appendix 1 to the report, the officer also advised that all employer contributions had been paid on time in the year to date.

The Board commended Harrow's pensions administration and wished to express its gratitude towards the Pensions Team for their excellent performance.

RESOLVED: That the report be noted.

73. Recruitment to Pension Board Vacancies

The Board received a report on the approach being taken to fill the two vacant positions on the Board.

The officer introduced the report, explaining that the Council had communicated with a number of potential interested groups and invited nominations by 30 September 2020. It was anticipated that the position of a Scheme Members' Representative (Active Member) would be recruited for but the Employer Representative (Scheduled and Admitted Bodies) role was likely to pose a challenge.

Board members acknowledged the efforts to recruit for the vacant positions but requested that a further attempt be made to reach out to employer groups, including trade unions, in order to ensure they were represented and involved in future pension discussions.

Board members also discussed whether some payment, including an honorarium to cover expenses, should be considered as an Incentive in order to attract Board members. Officers explained that payments to Board members were governed by the Members Allowance Scheme and no further remuneration was provided for attending evening meetings.

RESOLVED: That the report be noted.

74. Pension Board Work Programme - 2019-20 and 2020-21

The Board received a report which reviewed the Pension Boards' actions to date and invited comment on a suggested work programme for the remainder of 2020-21.

It was agreed that the following additional items be added to the 2020/21 Work Programme and brought for discussion to an appropriate future Board meeting:

- Position statement on the McCloud judgement
- Report on PIRC performance

RESOLVED: That the report and comments on the proposed work programme 2020/21, be noted.

75. Any Other Business

A suggestion was made from a Member of the Pension Board in that the Council explored the idea of submitting nominations to the LAPF Investment Awards to recognise the work of the pensions team. Officers undertook to discuss the idea in more detail following the meeting.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.30 pm).

(Signed) RICHARD HARBORD
Chair