

## **Report for: Pension Board**

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<b>Date of Meeting:</b>	8 July 2021
<b>Subject:</b>	Review of Pension Fund Committee Items
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	List Ward(s) affected by decision. <b>Not applicable</b>
<b>Enclosures:</b>	Appendix 1 – Pension Fund Valuation at 31 March 2021 Appendix 2 – Pension Fund Valuation at 31 May 2021 Appendix 3 - Pension Fund Committee notes (to follow)

### **Section 1 – Summary and Recommendations**

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This report summarises the matters considered by the Pension Fund Committee at its last meeting on 24 March 2021 and those to be considered at the meeting on 24 June 2021, and invites the Board to agree any comments they might wish to make to the Pension Fund Committee.

#### **Recommendations:**

The Board is requested to note the report and comment as necessary.

### **Section 2 – Report**

1. The list of items considered by the Pension Fund Committee at its meeting on 24 March 2021 is summarised in the table below.

<b>Report</b>	<b>Comments</b>
<b>Part I</b>	
Pension Fund Communications Policy	The Policy, incorporating the Board's comments from its last meeting, was approved by the Committee.
Pension Fund Governance Compliance Statement	The Statement, incorporating the Board's comments from its last meeting, was approved by the Committee
Pensions Administration System Procurement	The Committee approved the arrangements for addressing the expiry of the existing contract in October 2021. These were subsequently agreed by the Cabinet in 15 <sup>th</sup> June 2021.
Performance Dashboard and Update on Regular items	The Committee considered the report, which summarised the position of the Fund at the end of Q4 2020 (31 December 2020) and agreed a draft work programme for the Committee for the 2021-22 municipal year.
Update on London CIV and Investment Pooling arrangements	The Committee noted the progress being made in regard to Investment Pooling.
Training Programme 2021-22	The Committee agreed a draft programme
<b>Part II</b>	
Investment Strategy Review	The Committee received a confidential report by the Director of Finance and Assurance on the next stages of the Investment Strategy Review and approved a number of recommendations to progress the Review.

2. A training session was held immediately before the Committee's meeting on 24<sup>th</sup> March 2021. Record Currency Management gave a presentation and answered questions about the way in which they carry out the currency hedging arrangements for the Fund's equity portfolio.
3. The timings for approval of reports mean that this report was written before the Committee's meeting on 24 June 2021. The table below summarises the items to be considered at that meeting

<b>Report</b>	<b>Comments</b>
<b>Part I</b>	
Draft Pension Fund Accounts for 2020-21	The Committee is recommended to approve the draft accounts for submission to the external auditor. They are reported elsewhere on the agenda for this meeting.

Review of Internal Controls at Investment managers	The Committee is asked to note the position and ask questions as necessary. The report appears elsewhere on the agenda for this meeting.
Review of Pension Fund Risk register	The Committee is asked to note and approve the changes to the Risk Register. The report appears elsewhere on the agenda for this meeting.
Performance Dashboard and Update on Regular items	The Committee is asked to consider the report, which summarises the position of the Fund at the end of Q1 2021 (31 March 2021), and the Investment Valuation at 30 April 2021, and to agree the draft work programme for the Committee for the rest of the 2021-22 municipal year.
<b>Part II</b>	
Investment Strategy Review	The Committee will consider a confidential report by the Director of Finance and Assurance, with Appendices prepared by Aon, on the next stages of the Investment Strategy Review, and be asked approve recommendations to progress the Review further.

4. The decisions taken at the Committee's meeting will be circulated before the Board meets.
5. The Fund's valuation at 31 March 2021 was £968m, as detailed in Appendix 1. During the first quarter of 2021, markets continued to be volatile, as illustrated by the fluctuating valuations at the end of each month.
6. The investment dashboard showed that the Pension Fund's estimated liabilities at 31 March 2021 were £963m, meaning that the Investment Funding Level was 100.5%. This estimate of liabilities is a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Committee in December 2019. The estimated funding level has improved since triennial valuation, despite the increase in the value of the Fund's liabilities which reflects the forecast yields on investments, because returns on investments have exceeded expectations in that period. The improvement in the most recent quarter is due to changes in yields during that period.
7. The Fund's valuation at 30 April 2021 and 31 May is shown at appendix 2 – it has increased further to £995.1m. During April, some rebalancing was carried out - £30m being withdrawn from equities (£10m each from

Blackrock, LCIV Longview, and GMO.) £10m was reinvested in the LCIV Global Bond Fund, and the remainder was held in cash at 30 April. A further £10m was invested in the LCIV global bond fund in early May. There have also been further drawdowns from the Fund's commitment to the LCIV Infrastructure Fund, totalling £1.1m.

8. For Board members' information, the dates set for meetings of the Pension Fund Committee for the remainder of the 2021-22 municipal year are as follows:
  - Monday 13<sup>th</sup> September 2021
  - Wednesday 24<sup>th</sup> November 2021
  - Wednesday 9<sup>th</sup> March 2022

All of these meetings are currently scheduled to start at 6.30pm. It is currently intended that a training session will be held, before each Pension Fund Committee meeting, beginning at beginning at 5.30pm. All Board members are welcome to attend both the training sessions and the meetings. The meetings will continue to be held in hybrid form, with only the voting members and some officers "physically present" with others joining via Microsoft Teams until it is possible for fully "in person" meetings to be held.

## **Legal Implications**

9. There are no direct legal implications arising from this report.

## **Financial Implications**

10. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no direct financial implications arising from this report.

## **Risk Management Implications**

11. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The latest review is considered elsewhere on this agenda.
12. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy

## **Equalities implications / Public Sector Equality Duty**

13. Was an Equality Impact Assessment carried out? No

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

## **Council Priorities**

15. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed on by the Chief Financial Officer

**Date: 21/06/2021**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 22/06/2021**

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 21/06/2021**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

Email: [Jeremy.randall@harrow.gov.uk](mailto:Jeremy.randall@harrow.gov.uk)

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**Background Papers:** None