

Report for: Pension Board

Date of Meeting:	6 October 2021
Subject:	Review of Pension Fund Committee Items
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 – Pension Fund Valuation at 31 July 2021

Section 1 – Summary and Recommendations

This report summarises the matters considered by the Pension Fund Committee at its last meeting on 13 September 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 13 September 2021 is summarised in the table below.

Report	Comments
Part I	
Good Governance Review Update	Further to the training provided by Hymans Robertson at its previous meeting, the Committee approved the proposed approach to ensure the Fund is ready for the Review's implementation.

	<p>The Board will have a role in this work, and hence a report appears elsewhere on the agenda for this meeting</p>
<p>Draft Pension Fund Annual report for 2020-21</p>	<p>The Committee suggested a small number of changes, approved the draft report for publication and authorised the Director of Finance & Assurance to make any changes arising from the audit before doing so.</p> <p>The report appears elsewhere on the agenda for this meeting.</p>
<p>Review of Investment Strategy Statement</p>	<p>Following the decisions taken during the review of the Fund's Investment Strategy, the Committee considered and approved a revised Investment Strategy Statement.</p> <p>The report appears elsewhere on the agenda for this meeting.</p>
<p>Performance Dashboard and Update on Regular items</p>	<p>The Committee considered the report, which summarised the position of the Fund at the end of Q2 2021 (30 June 2021) and agreed a draft work programme for the Committee for the remainder of the 2021-22 municipal year, including a "Manager day" on 2nd November 2021.</p>
<p>Environmental, Social and Governance (ESG) Reporting</p>	<p>Following discussions at its previous meeting, the Committee considered a report on how reporting of these issues could be further developed, together with some examples of what is currently available from some managers.</p> <p>After a detailed discussion, the Committee requested officers to work with Aon to produce a further report for its next meeting setting out how the Fund could improve its understanding and reporting in this important area.</p>
<p>Review of Internal Controls at Investment managers</p>	<p>The Committee considered a number of these reports which had not been available at the time of the previous meeting, and noted that in each case, controls were operating satisfactorily, and that appropriate management action had been taken where exceptions had been identified.</p>

Part II	
No specific items – only certain appendices from above reports were considered in part II	Decisions / comments are reported above.

2. A training session was held immediately before the Committee's meeting. Blackrock delivered the training, in which they gave a presentation and answered questions about the recent changes in the Fund's passive equity portfolio (the move to the Low Carbon passive equity fund which was completed in early September).
3. The Fund's valuation at 30 June 2021 was £1,015m, as detailed in Appendix 1. The investment dashboard showed that the Pension Fund's estimated liabilities at 30 June 2021 were £964m, meaning that the Investment Funding Level was 105%. This estimate of liabilities is a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Pension Fund Committee in December 2019.
4. The estimated funding level has improved since the triennial valuation, despite the increase in the value of the Fund's liabilities (which is partly linked to 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 the increase in value of investments during that period.
5. However, it should be noted that the 105% funding level relates only to "past service" benefits (i.e. service accrued to date). The Fund will also have to meet liabilities in respect of future service, which will in turn depend on pay levels and other factors. However, taking into account the changes in the forecast growth in liabilities (linked to inflation and pay settlements), and the forecast future return on investments, the probability of the Fund being 100% funded at the end of the agreed deficit recovery period has increased, and the investment return required to achieve this outcome has fallen, both of which are "good news".
6. The Fund's valuation at 31 July 2021 is also shown at appendix 1 – it had increased further to £1,022.6m. During August and September, further investments totalling £1.8m were made against the Fund's commitment to the LCIV Infrastructure Fund, and the changes in the passive equity portfolio (to the Blackrock Low Carbon Fund were completed. At the time of writing this report the changes in the fixed income portfolio are nearing completion.
7. 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:
 - Wednesday 24th November 2021
 - Wednesday 9th March 2022

These meetings are scheduled to start at 6.30pm. It is 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 required to be “physically present” with others joining via Microsoft Teams until fully “in person” meetings can be held safely.

Legal Implications

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

Financial Implications

9. 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

10. The Pension Fund’s Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered by the Board at its meeting on 1st December 2021.
11. 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

12. Was an Equality Impact Assessment carried out? No
13. There are no direct equalities implications arising from this report.

Council Priorities

14. 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: 16/09/2021

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 16/09/2021

Chief Officer: Dawn Calvert

Signed on behalf of the Corporate Director

Date: 16/09/2021

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, Telephone: 020 8736 6552

Background Papers: None