

## **Report for: Pension Fund Committee**

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<b>Date of Meeting:</b>	12 October 2022
<b>Subject:</b>	Draft Pension Fund Annual Report for 2021-22
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	None
<b>Enclosures:</b>	Appendix 1 – Audit Strategy Memorandum (Mazars) Appendix – 2 Draft Pension Fund Annual report for 2021-22

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

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This report presents the draft Pension Fund Annual Report for the year ended 31 March 2022, and the External Audit Plan on which the Committee's comments are invited. It will also update on progress with the 2021-22 audit.

#### **Recommendations:**

The Committee is **recommended** to approve the draft Pension Fund Annual Report for 2021-22 for publication and to authorise the Director of Finance and Assurance to make any changes arising from the audit of accounts before publication.

### **Section 2 – Report**

1. The Accounts and Audit (England) Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Previous timetable deadlines have meant that the draft Statement

of Accounts must be published by 31st May with the audited version being published by 31st July each year.

2. Following the Coronavirus pandemic the legislative requirements were relaxed and this has continued for 2021-22. The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) revised the deadlines to 31st July 2022 for the draft accounts and 30th November 2022 for the audited accounts.
3. The audit is again being carried out by Mazars. Their “Audit Strategy Memorandum”, which sets out their plan for carrying out the audit of the Pension Fund Accounts is enclosed as **Appendix 1**. This was considered by the GARMS Committee on 2 August 2022.
4. The audited Pension Fund Annual Report is required to be published by 1 December 2022 – this requirement has not changed. The draft annual report (which contains the 2021-22 Pension Fund Accounts) is enclosed as **Appendix 2**.
5. The audit of accounts is in progress, and the outcome will be reported to the Committee’s next meeting on 23 November 2022, together with the audited Annual report for approval.
6. To assist in the Committee’s consideration of this matter they are advised of the following key points:

- Fund Revenue Account

During the year 2021-22, the net assets of the Fund increased from £968m to £1,018m. This reflected the continued buoyancy of investment markets in 2022, although markets did fall back during the final quarter of the year.

- The Harrow annual return performance has been as follows:

	Annual Performance (%)	Benchmark (%)
1 year	5.7	6.6
3 years	6.6	8.5
5 years	6.0	7.9

The fund’s underperformance against its benchmark return in all periods largely results from the poor performance of some of its investment managers. The Fund has taken steps to address this during 2021 and 2022, replacing two of its equity managers in that time.

- Accounts for year ended 31 March 2022

	£m
Contributions by members and employers (including transfers)	-39.2
Benefits paid (including transfers)	43.1
Investment income	-7.0
Management expenses (including fees charged by investment managers of £3.8m)	5.3
Profits on sales an increase in market value of investments	-52.3

- Scheme Overview

At 31 March, the

- Number of pensioners has increased from 5,795 in 2019 to 6,460 in 2022.
- Number of deferred pensioners has decreased from 6,966 in 2018 to 6,957 in 2022.
- Number of active members increased from 5,400 in 2018 to 5,586 in 2022.

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. Cashflow (even after taking account of investment income) is now slightly negative, although the investment strategy retains sufficient liquidity to address this in the short to medium term. The impact of stable membership, longevity and pension increases are likely to increase future cash outflows gradually. In the longer term, it is likely that this will have to be factored into the investment strategy.

## **Legal Implications**

7. There are no direct legal implications arising from this report.
8. The Pension Fund Committee has the following powers and duties:
  - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
  - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
  - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
  - iv. to establish a strategy for the disposition of the pension investment portfolio; and
  - v. to appoint and determine the investment managers' delegation of powers of management of the fund;

- vi. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
- vii. to apply the arrangements set out in (vi) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

## **Financial Implications**

9. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

## **Risk Management Implications**

10. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review was carried out at the 9<sup>th</sup> March meeting of the Committee.
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  
There are no direct equalities implications arising from this report.

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

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 01/09/2022**

**Statutory Officer: Sharon Clarke**  
Signed on behalf of the Monitoring Officer  
**Date: 30/08/2022**

**Chief Officer: Dawn Calvert**  
Signed on behalf of the Chief Executive  
**Date: 01/09/2022**

## **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)  
Telephone 020 8736 6552

**Background Papers: None**