

Pension Board

Minutes

28 July 2022

Present:

Chair: Mr R Harbord

Board Members: Pritesh Patel Employer representative –
London Borough of Harrow
Gerald Balabanoff (VC) Scheme Members'
Representative –
Pensioners

Apologies received: Patrick O'Dwyer

Absent: Dr Simon Radford

1. Declarations of Interest

RESOLVED: To note that the declarations of interests had been published on the website and would be taken as read.

2. Minutes

RESOLVED: That the minutes of the meeting held on 3 March 2022, be taken as read and signed as a correct record.

3. Public Questions

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

4. Petitions

RESOLVED: To note that no petitions had been received.

5. Deputations

RESOLVED: To note that no deputations had been received.

6. Appointment of Vice Chair

RESOLVED: That Gerald Balabanoff be appointed Vice-Chair of the Board for the 2022/2023 Municipal Year.

Resolved Items

7. Pensions Administration Update to 31 March 2022

The Board received a report on Pensions Administration Update for the quarter ending on 31 March 2022, which provided a summary of the Pension Administration Team's performance and updated Members on a number of other items.

During the discussion that ensued, the following points were highlighted:

- 1) The Pension Fund membership had increased further to 19,003 although a significant number of members had also retired during the last quarter.
- 2) The three yearly re-enrolment exercise for members who had previously opted out of the Local Government Pension Scheme (LGPS) was coming to an end and was due to be completed by 31 July 2022. Given the current economic climate, no significant increase in the number of members was expected.
- 3) No known breaches of law were reported in the 2021/22 financial year. However, in April 2022, there were challenges with the printing and distribution of payslips following a change of Harrow's payroll arrangements, resulting in a small number of overseas members' payslips being printed on the back of other members' payslips. In line with the Council's procedures a breach of data protection requirements was reported, and action taken to rectify the situation and prevent it from re-occurring.
- 4) One internal dispute, relating to ill-health retirement, had been dealt with and resolved under the Internal Dispute Resolution Procedure, with the member deciding to take early payment of their deferred pension at a reduced rate.
- 5) No further updates had been received on the three complaints to the Pension Ombudsman since the last Pension Board meeting and minimal progress appeared to have been made by the Ombudsman.
- 6) Consultation on the updated LGPS Regulations was still being awaited and unlikely to take place until after the summer recess at the earliest although further delays were still possible.

- 7) Data on the triennial evaluation was currently being processed with initial whole fund results, the proposed London Borough of Harrow contribution rate for the period 01/04/2023 to 31/03/2026 and a draft funding strategy statement by the Actuary expected to be reported to the Pension Fund Committee in September and the Pension Board in October as part of the consultation process. Further reports would be submitted to the Pension Fund Committee and to the Board as the valuation work progressed.
- 8) The pensions administration performance statistics were measured against the national benchmarks for the Quarter to 31 March 2022 and were set out in Appendix 1 to the officer report. Service performance remained good and case numbers were added to the performance monitoring statistics set out in Appendix 1 for completeness.

In the discussion which followed, the Board raised a number of points, which were answered as follows:

- 9) With regards to the status of the Local Ombudsman complaints the Board was advised that in all three cases, the independent medical practitioner's reports had indicated that the individuals were not permanently unfit to work and therefore ill-health retirements were not awarded, resulting in the individuals referring their cases to the Ombudsman. The cases had been with the Ombudsman for over 12 months and, whilst unfortunate for the individuals, the delay in processing the complaints was not of Harrow's making and the Council had followed the correct procedure. It was also noted that whilst the Ombudsman service imposed strict deadlines on local authorities for providing information in response to requests, the reciprocal did not apply making it difficult to obtain updates on individual cases. The Board felt the delay in responding to the complaints was unfair and wished to express its dissatisfaction with the situation.
- 10) Acknowledging the significance of the awaited LGPS consultation, the Board noted that based on the government's track record for responding to other similar consultations, it was unlikely that the results would be available soon.
- 11) In regard to the Scheme Advisory Board's annual report on the LGPS to March 2021, the increase in investment management charges (referenced on page 14, paragraph 19 to the officer report) was mainly due to impact of funds' recovery and investment valuations. The charges were proportionate to the asset valuations – the higher the value of the investments being managed the higher the charges. The charges were lower than they would have been had investment pooling of LGPS Funds' assets not been implemented.
- 12) The Board was assured that work on the annual benefit statements was on course to meet the 31 August 2022 deadline and would not be a cause for default.

The Board welcomed the updates and commended Harrow's Administration Team for their consistent performance and high standards as demonstrated by the report.

RESOLVED: That

- (1) the report be noted; and
- (2) officers undertake to write to the Pension Ombudsman and express the Board's concern over the delay in the responding to the three complaints set out in the report.

8. Review of Pension Fund Committee Items

The Board received a report which summarised the matters considered by the Pension Fund Committee (PFC) at its meetings on 9 March 2022 and 26 July 2022 and invited the Board's comments.

During the discussion that ensued the following key points were highlighted in respect of the two meetings:

PFC – 9 March 2022

- 1) Richard Romain and Colin Robertson were re-appointed as independent advisors to the Pension Fund Committee.
- 2) Several items were considered including the Fund's performance, draft work programme and risk register which was on the agenda for this Pension Board meeting.
- 3) The four draft policies, reviewed by the Pension Board during the 2021/22 municipal year, were approved by the PFC and the Board's recommendations incorporated in the final published version.
- 4) Members were updated by the Fund's Actuary on the approach and assumptions to be used in the forthcoming triennial evaluation.
- 5) Following the PFC's decision to change its emerging making equity investment manager, investments with GMO Emerging Domestic Opportunities Fund were liquidated and were now managed within the London CIV emerging market equity fund.

PFC – 26 July 2022

- 6) In the absence of items for consideration and due to the number of new elected member appointed to the PFC following the May Local elections, the meeting was used as an informal briefing and training session with the Fund's Actuary briefing members on the triennial evaluation. The Committee also looked at performance and the state of the Fund's investments as of 31 March and received an update on the Fund's position as at the end of June.

- 7) In response to a question on the benchmark against which performance figures were set, the Board was informed that this was set out in the investment strategy statement which would be shared for information with Members after the meeting.
- 8) The triennial valuation was an assessment of the Fund's historical and potential future liabilities, its assets, and assessment of future returns. The latest figures showed that as at 31 March 2022, the Fund was approximately 101% funded – a figure referring to previous service liabilities and affected by both investments exceeding expectations and employers making secondary contributions in order to bridge the deficit gap. However, one of the challenges the Fund continued to face was estimating the cost of future benefit accrual as the pension scheme was open to new joiners but to further benefit accrual by existing members.
- 9) The Fund had committed £68 million to CIV infrastructure and £50 million to renewable infrastructure funds, invested through private markets. In terms of the infrastructure fund, the Fund had already contributed £31 million and LCIV was gradually identifying further investments with the aim of reaching £68 million in the next 15 months.

RESOLVED: That the Report be noted.

9. Review of Pension Fund Risk Register

The Board received a report which set out the updated Pension Fund Risk Register and invited Members' comments.

By way of introduction, the Board was informed that the risk register was a regularly reviewed document, last considered by the Pension Board at its meeting on 16 December 2021. The key risks remained unchanged since the last review and were rated as either "Amber" or "Red" as they were most likely to have the biggest impact on the Fund. Three of the four biggest "red" risks were linked to markets, investment valuations and returns of investments and as such could not be eliminated. Instead, the Fund had put in place a range of controls and mitigations strategies to help keep these risks manageable and these were set out in Appendix 2 to the officer report.

The Board welcomed the report and did not raise any questions or comments.

RESOLVED: That the report be noted.

10. Pension Board Draft Annual Report 2021- 22

Members were presented with the regular draft annual report, as required by the Board's Terms of Reference and invited to make comments before a final version of the report can be submitted to Full Council in September 2022.

A key point raised in the discussion revolved around the membership of the Board with members stating that consideration should be given on either introducing reserves or expanding the cohort of members to ensure resilience

and continuity of the Board. Whilst appointment of reserves was considered, Members were reminded that the Board was an independent from the Council body and as such operated under different legislation, one which may not include provision for reserves. Increasing the existing membership was another option albeit challenging due to ongoing difficulties in recruiting and retaining members. The Board did not raise any further comments.

RESOLVED: That the annual report be noted and referred to Council subject to officers investigating queries about appointment of reserve members and expanding the structure of the Board and amending the report accordingly.

11. Review of Pension Fund Governance Compliance Statement

The Board received a report on the Pension Fund's Governance Compliance Statement as set out in Appendix 1 and was invited to make comments for consideration by the Committee at its next meeting in September 2022.

During the followed discussions Board Members raised a number of points as follows:

- 1) Referencing page 59 of the report the Board noted that except for representatives of the main employer, Harrow Council, the Pension Fund Committee (PFC) had no representation of any other employers or scheme members with the two trade union members having only an observer status and therefore could not be deemed fully compliant with Principle A.
- 2) Referencing page 55 of the report, the Board noted that Pension Board should be listed under the list of bodies/officers with delegated by the Council functions.
- 3) Referencing page 62 of the report, the Board felt that access to information requirement set out in Principle G had not been fully met as PFC exempt reports were still inaccessible for independent members of the Pension Board, thus excluding them from potentially important information. Whilst officers expressed sympathy with the situation, they noted that the matter had been pursued on several occasions and Harrow's monitoring officer's view is that the position remained unchanged.
- 4) Whilst welcoming the progress to date made on the "Good Governance Review", the Board expressed concerns over the significant delay in the government's response on the review, the recommendations of which were yet to be published.

RESOLVED: That the report and latest position on the LGPS Good Governance Review be noted.

12. Work Programme for Future Meetings

Members received a report on the Pension Board Work Programme, which reviewed the Board's work programme to date, listed forthcoming meetings

and invited the Board's comments on a suggested work programme for the 2022/23 Municipal Year.

The Board questioned the order of which some of the Pension Fund Committee (PFC) and Pension Board meetings had been scheduled and noted that it would be helpful if going forward it could be ensured that the Board met before the PFC so that any advice or recommendations, particularly on policy reviews, can be taken into consideration in a timely manner.

The Chair also raised a point on the format of future Board meetings and sought Members' views on whether these should remain virtual or move to in person or hybrid. Whilst Members were amenable to continue meeting virtually and noted the advantages this may offer for any potential Board members recruitment, it was agreed that should there be a need to discuss a matter in person then a meeting would be arranged at the Council offices.

RESOLVED: That the Report be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.34 pm).

(Signed) Richard Harbord
Chair