



REPORT FOR: Pension Board

Date of Meeting:	30 October 2023
Subject:	Review of Pension Fund Committee Items
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Exempt:	No - except for Appendix 5 and 6 which are Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	Not applicable
Enclosures:	Appendix 1 – The minutes of Pension Fund Committee of 31 July 2023 Appendix 2a & 2b – Fund Valuation as at 30 June 2023 & 31 August 2023 Appendix 3: Investment Dashboard as at 30 June 2023 (Aon) Appendix 4: PIRC Local Authority Pension Performance Indicators to 30 June 2023 (Exempt) Appendix 5 - Executive Summary of Manager Monitoring Report (Aon) (Exempt) Appendix 6 - Report from Independent Advisor

Section 1 – Summary and Recommendations

This report summarises the matters the Pension Fund Committee considered at its meeting of 19 September and invites the Board to review, agree and add comments they might wish to forward to the Pension Fund Committee.

Recommendations:

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

Section 2 – Report

1. The Pension Fund Committee last met on 19 September 2023. The Board only reviewed the items which the Committee considered at its meeting of 31 July 2023 at their meeting of 12 July 2023, the minutes of the Pension Fund Committee is attached to this report as Appendix 1.
2. The Committee's last meeting was on 19 September 2023. The items considered are summarised in the table below. Several of the items are the subject of separate reports to be considered elsewhere on this agenda, providing the opportunity for the Board's comments to be forwarded to the Committee.
3. The list of items considered at the Committee's meeting of 19 September 2023 is as follows:

Report	Comments
Part I	
Performance Dashboard and Update on Regular items	The Committee reviewed the position of the Fund at the end of Q2 2023 (30 June 2023), received an update on things which have happened in the reporting quarter and asked to agree a draft work programme of the Committee for the rest of the 2023-24 municipal year.
Review of Draft Pension Fund Annual Report 2022/23	The Committee received the Draft Pension Fund Annual Report for 2022-2023. This item advised that the Fund's assets had decreased by £63m in the financial year. The Fund value depreciation was due to the underperformance of the financial markets in which the Fund held its investments and a net withdrawals of fund expenditure over income.
Review the Quarterly Local Government Pension Scheme (LGPS) Update and Harrow Pension Administration	The Committee received the Quarterly Local Government Pension Scheme (LGPS) Update and Harrow Pension Administration Update with Key Performances. This item provided Committee with information relating to the administration performance of

Update with Key Performances	the Fund over the last quarter, and an update on latest key LGPS issues and developments.
Part II	
Performance Dashboard and Update on Regular items	The Committee considered comments and reports from the Investment Consultant and an Independent Advisor on investment managers' performance. These reports were considered in part II because of the sensitive nature of investment decisions.
London Collective Investment Vehicle (CIV) and Investment Pooling Update	The item provided an update on the current position on Investment Pooling and Harrow Pension Fund's own pooling arrangements with the London CIV. The "direction of travel" with the London CIV, and their list of funds, given the Mansion House Speech delivered by the Chancellor of the Exchequer 10 July 2023 was also discussed.
Investment Strategy Implementation	This item introduced a number of proposals for discussion, including recommendations to assist the Fund to achieve its new Strategic Asset Allocation and also in meeting its cashflow needs.

4. The Pension Fund's investments were valued at £968.7m at 30 June 2023. The details of the valuation are shown at appendix 2.
5. The value of most of the Fund's investments was broadly stable or increased slightly during the quarter. There were also further drawdowns of the Fund's commitments to the LCIV Infrastructure Fund and the LCIV renewables Infrastructure Fund.
6. The Fund's past service liabilities at 30 June 2023 totalled £796m meaning the Fund was approximately 122% funded. This estimate of liabilities is simply a rolled forward projection based on the 2022 triennial valuation. The estimated funding level has improved since the 2022 valuation. This is driven by the fact that the expected return (discount rate) has increased materially since the valuation largely driven by increasing interest rate expectations. This has reduced the liabilities substantially. The assets have held up well over what was a period of turbulence in financial markets and have not dropped to the same extent as the liabilities – hence the increased funding level. This update is at a single point in time and follows a period of volatility in markets. Further market movements will lead to further fluctuations in funding level.
7. It should be noted also that the 122% funding level relates only to "past service" benefits (i.e. service accrued to date). As a scheme which is "open" (i.e. both to future accrual of benefits for existing members and to new joiners), the Fund will also have to meet significant liabilities in

respect of future service, which will in turn depend on pay levels and other factors.

8. At 30 June 2023, the value of the Fund's investments was £969m. At that date, 78.7% of the Fund's investments were pooled or in passive investments which are regarded as being pooled.

Audit of Pension Fund Annual Report and Accounts 2021-22 and Pension Fund Annual Report and Accounts for 2022-23

9. The audit of the Pension Fund Annual Report and Accounts is being carried out by Mazars. As previously reported, this audit is largely complete – there have been no material changes to the draft accounts presented to the Board in October 2022, and only a small number of presentational and disclosure changes to some of the Notes to the accounts. However, the audit cannot be completed until the audit of the Council's own accounts is finalised – the reason for this is that until that happens the auditor is required to confirm that the Pension Fund Annual Report and Accounts align with the Council's main accounts, and there are some technical issues being worked through in respect of the latter. More recently, auditors have taken the view that because the 2022 triennial valuation results are available, the IAS 19 and IAS 26 calculations of pension liabilities have to be updated to use that data (rather than a "roll forward" from the 2019 valuation. This has further delayed the audit. Other LGPS funds and administering authorities are experiencing similar issues. The auditors will be reporting to the next meeting of the Governance, Audit, Risk Management and Standards Committee in November 2023.

Legal Implications

10. There are no direct legal implications arising from this report.
11. The terms of reference for the Board include the Board's role as set out in the following paragraphs.
12. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
 - i) securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
 - ii) securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
 - iii) such other matters the LGPS regulations may specify.
13. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility.

14. In its role, The Board will have oversight of the administration of the fund including:
- i) The effectiveness of the decision making process
 - ii) The direction of the Fund and its overall objectives
 - iii) The level of transparency in the conduct of the Fund's activities
 - iv) The administration of benefits and contributions
15. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
16. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. It will help to ensure that the Fund is managed in the same way.
17. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

Financial Implications

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

Risk Management Implications

19. The Pension Fund's Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board.
20. 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

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

Council Priorities

23. 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: Sharon Daniels

Signed by the Chief Financial Officer

Date: 19 October 2023

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 16 October 2023

Chief Officer: Sharon Daniels

Signed on behalf of the Corporate Director

Date: 19 October 2023

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Bola Tobun – Treasury and Pensions Manager

Email: bola.Tobun@harrow.gov.uk

Telephone 020 8420 9264

Background Papers: None