

Pension Fund Committee Supplemental Agenda

Date: Wednesday 29 March 2023

Agenda - Part I

7. **Performance Dashboard and Update on Regular Items** (Pages 3 - 4)
Report of the Director of Finance and Assurance
Appendix 6 – LBH February 2023 Month End Valuation
11. **Competition and Markets Authority (CMA) - Setting Investment Consultant Objectives** (Pages 5 - 8)
Report of the Director of Finance and Assurance.

Note: In accordance with the Local Government (Access to Information) Act 1985, the following items have been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-

Agenda item	Special Circumstances/Grounds for Urgency
Performance Dashboard and Update on Regular Items - Appendix 6 LBH February 2023 Month End Valuation	This report was not available at the time the agenda was printed and circulated. Members are requested to consider this item, as a matter of urgency, in order to progress the recommendation as the next scheduled
Item 11 - Competition and Markets Authority (CMA) - Setting Investment Consultant Objectives - Report	This report was omitted at the time the agenda was printed and circulated. Members are requested to consider this item, as a matter of urgency, in order to progress the recommendation as the next scheduled

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APPENDIX 6

Fund Valuation and Performance															
March 2022 to March 2023															
Asset Class	Value 31.03.2022 £'000	Value 30.04.2022 £'000	Value 31.05.2022 £'000	Value 30.06.2022 £'000	Value 31.07.2022 £'000	Value 31.08.2022 £'000	Value 30.09.2022 £'000	Value 31.10.2022 £'000	Value 30.11.2022 £'000	Value 31.12.2022 £'000	Value 31.01.2023 £'000	Value 28.02.2023 £'000	Allocation 28.02.2023 %	Strategic Allocation %	Strategic Range %
Global Equities															
LCIV - Global Equity Focus Fund	127,495	124,788	125,859	121,282	130,520	129,994	117,181	121,923	110,130	105,742	110,897	109,821	12	10	
LCIV - Blackrock Passive	269,113	260,570	255,224	241,501	257,001	261,414	242,976	243,311	231,630	226,691	234,134	234,945	25	24	
LCIV - Sustainable Equity Fund	73,314	68,921	68,967	66,897	71,786	71,767	67,920	68,672	71,638	67,564	69,645	68,324	7	8	
LCIV - Emerging Market Equity Fund	0	2,073	33,476	62,393	71,203	74,269	69,923	65,131	72,475	71,497	75,551	72,599	8	8	
GMO	71,839	69,436	37,436	6,856	0	0	0	0	0	0	0	0	0	0	
Record passive currency hedge	-4,041	-9,303	-8,929	-15,936	-7,141	-15,857	-23,461	3,150	8,086	8,649	12,575	10,421	1		
Total Global Equities	537,719	516,484	512,033	482,993	523,370	521,587	474,540	502,187	493,960	480,143	502,801	496,110	53	50	45-55
													Inc Hedging		
Diversifying Return Assets															
Diversified Growth Fund - Insight	93,776	92,072	86,519	83,304	81,404	78,084	65,927	66,056	67,082	66,407	67,528	66,878	7	5.5	
Property - LaSalle	71,330	71,619	71,935	73,515	73,380	72,986	70,087	68,417	66,851	60,780	60,213	60,028	6	6	
Renewables - LCIV Renewables Fund	13,833	11,210	12,111	12,111	12,253	13,014	17,984	17,984	19,237	19,505	20,298	20,298	2	5	
Infrastructure - LCIV Infrastructure	31,347	31,347	31,347	34,846	34,846	41,472	43,304	47,560	48,055	50,091	50,091	50,091	5	7.5	
Private Equity - Pantheon	5,371	5,371	5,371	5,218	5,218	5,218	4,877	4,877	4,877	4,695	4,695	4,695	0	1	
Total Diversifying Return Assets	215,658	211,619	207,284	208,995	207,101	210,775	202,178	204,894	204,848	201,210	202,032	201,990	20	25	20-30
Risk Control Assets															
Bonds - Blackrock - FI Corp	42,083	39,930	38,869	35,997	37,659	34,279	29,817	31,517	46,610	44,246	46,410	45,296	5	5	
Bonds - Blackrock - IL passive LCIV	46,463	43,079	39,265	37,178	39,413	36,064	33,243	31,405	44,724	41,959	43,658	41,303	4	5	
Alternatives - LCIV Alt Credit Fund	103,777	102,592	100,124	95,414	96,924	97,823	93,952	94,199	96,243	96,500	100,222	101,111	11	10	
Bonds - LCIV Global Bond Fund	46,816	44,695	44,739	43,243	44,409	43,358	41,325	40,653	42,679	42,316	43,472	42,919	5	5	
Total Risk Control Assets	239,138	230,296	222,996	211,832	218,406	211,524	198,338	197,774	230,257	225,021	233,763	230,629	25	25	20-30
Cash & NCA															
Cash Managers (Blackrock)	10,736	10,740	10,746	7,755	7,765	7,773	7,784	5,796	10,807	10,822	10,851	10,883			
Cash NatWest	7,288	9,319	12,214	9,914	10,095	5,252	13,091	9,098	8,760	7,464	5,750	7,404			
Cash Custodian (JP Morgan)	5,977	3,382	3,381	3,380	280	280	279	49	49	48	28	28			
Blackrock Dividends (Pending Reinvestment)	291	291	578	578	579	865	868	868	868	1,317	1,195	484			
Debtors and Creditors	1,054	1,368	-1,414	3,261	1,058	1,401	1,529	1,285	1,187	2,250	1,551	1,586			
CIV Investment	150	150	150	150	150	150	150	150	150	150	150	150			
Total Net Current Assets	25,496	25,251	25,656	25,039	19,928	15,721	23,701	17,246	21,820	22,050	19,525	20,534	2	0	
Total Assets	1,018,011	983,650	967,969	928,858	968,805	959,607	898,757	922,102	950,884	928,425	958,121	949,263	100	100	
Assets Pooled															
- LCIV Funds	39.0%	39.2%	43.0%	47.0%	47.7%	49.2%	50.2%	49.5%	48.3%	48.8%	49.0%	49.0%		53.5%	
- Other (Passive) Funds - Regarded as Pooled	31.0%	30.9%	30.4%	30.0%	30.6%	31.0%	30.7%	29.8%	29.1%	28.9%	29.0%	29.1%		29.0%	
Total % Pooled	70.0%	70.1%	73.5%	77.0%	78.3%	80.2%	81.0%	79.3%	77.4%	77.7%	78.0%	78.1%		82.5%	

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**Report for: Pension Fund
Committee**

Date of Meeting:	29 March 2023
Subject:	Competition and Markets Authority Order - Setting Investment Consultant Objectives
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1: Investment Consultant Objectives (Aon)

Section 1 – Summary and Recommendation

This report provides a review of the Investment Consultant Objectives as required by the Competition and Markets Authority Order.

Recommendation:

The Committee is requested to consider and comment upon the Investment Consultant's Objectives.

Section 2 – Report

1. In 2018 the Competition and Markets Authority, ("CMA") reported on its review of the investment consultant and fiduciary management markets. Following this review, CMA issued an Order which requires Pension Fund Trustees, (including the Local Government Pension Scheme):
 - to set objectives for their investment consultants closely linked to the pension scheme's strategic objectives.
 - the objectives to be reviewed at least every three years and after a significant change to the investment strategy.

- the performance of the investment consultant should be reviewed annually.
2. Aon were re-appointed as the Fund's Investment Consultants in 2018. The contract was recently extended by one year and expires in January 2024. The CMA Order took effect from 10 December 2019, and the Committee reviewed and set objectives for Aon at its meeting on 18 December 2019. It is therefore appropriate to review those objectives.
 3. Aon provides regulated investment consultancy services, and hence the CMA Order applies to their contract. As a reminder for the Committee, the role of the independent advisers is to provide an independent perspective and to use their expert knowledge to inform the debate on the issues in front of the Committee. Hence the contracts with our independent advisers fall outside of the scope of the order.
 4. Aon have provided a summary of the objectives and of the work they have carried out to meet those – this is attached at **Appendix 1**. The Committee is asked to consider the objectives and review thereof, and to comment on whether the objectives remain appropriate for the coming year.

Legal Implications

5. There are no direct legal implications arising from this report.
6. 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

7. There are no immediate financial implications arising from the report. However, once the reporting requirements are defined and incorporated into Regulations, there will be a cost in compiling the relevant information. These costs will be met from the Pension Fund.

Risk Management Implications

8. The Pension Fund's Risk Register is reviewed regularly by the Committee. The most recent review was considered at the 23 November 2022 meeting of the Committee.
9. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

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

Council Priorities

12. 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 by the Chief Financial Officer
Date: 10/03/2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 11/03/2023

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 10/03/2023

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