

Pension Fund Committee AGENDA

DATE: Wednesday 12 September 2018

TIME: 6.30 pm

VENUE: Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY

MEMBERSHIP (Quorum 3 Councillors)

Chair: Councillor Nitin Parekh

Councillors:

Antonio Weiss

Norman Stevenson
Bharat Thakker (VC)

Non-Voting Co-optee:

Mr H Bluston

Trade Union Observer(s):

Mr J Royle – UNISON
Ms P Belgrave – GMB

Independent Advisers

Mr C Robertson
Honorary Alderman R Romain

Reserve Members:

1. Keith Ferry
2. Dean Gilligan

1. Kanti Rabadia
2. Amir Moshenson

Contact: Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881 E-mail: daksha.ghelani@harrow.gov.uk

Useful Information

Meeting details:

This meeting is open to the press and public.

Directions to the Civic Centre can be found at:
<http://www.harrow.gov.uk/site/scripts/location.php>.

Filming / recording of meetings

The Council will audio record Public and Councillor Questions. The audio recording will be placed on the Council's website.

Please note that proceedings at this meeting may be photographed, recorded or filmed. If you choose to attend, you will be deemed to have consented to being photographed, recorded and/or filmed.

When present in the meeting room, silent mode should be enabled for all mobile devices.

Meeting access / special requirements.

The Civic Centre is accessible to people with special needs. There are accessible toilets and lifts to meeting rooms. If you have special requirements, please contact the officer listed on the front page of this agenda.

An induction loop system for people with hearing difficulties is available. Please ask at the Security Desk on the Middlesex Floor.

Agenda publication date: Tuesday 4 September 2018

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Panel;
- (b) all other Members present.

3. MINUTES (Pages 7 - 14)

That the minutes of the meeting held on 27 June 2018 be taken as read and signed as a correct record.

4. PUBLIC QUESTIONS *

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, Friday 7 September 2018. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

6. DEPUTATIONS

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

7. APPOINTMENT OF NON-VOTING CO-OPTEE

To note that Full Council on 19 July 2018 appointed Howard Bluston as a non-voting co-optee on the Pension Fund Committee for the Municipal Year 2018/19 under the same arrangements as 2017/18 with no advisory or representative duties attached to the role.

8. PENSION FUND COMMITTEE - UPDATE ON REGULAR ITEMS (Pages 15 - 20)

Report of the Director of Finance.

9. INFORMATION REPORT - QUARTERLY TRIGGER MONITORING Q2 2018 (Pages 21 - 28)

Report of the Director of Finance.

10. PERFORMANCE MEASUREMENT SERVICES (Pages 29 - 38)

Report of the Director of Finance.

11. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

12. EXCLUSION OF PRESS AND PUBLIC

To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended):

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
13.	London Collective Investment Vehicle Investment Strategy and Pooling Update	Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)
14.	Information Report - Investment Manager Performance Monitoring for period ending 30 June 2018	Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)

AGENDA - PART II

13. LONDON COLLECTIVE INVESTMENT VEHICLE INVESTMENT STRATEGY AND POOLING UPDATE (Pages 39 - 86)

Report of the Director of Finance.

14. INFORMATION REPORT - INVESTMENT MANAGER PERFORMANCE MONITORING FOR PERIOD ENDING 30 JUNE 2018 (Pages 87 - 176)

Report of the Director of Finance.

[Please note that Aon Hewitt, Advisers to the Fund, will be attending this meeting.]

*** DATA PROTECTION ACT NOTICE**

The Council will audio record item 4 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[Note: The questions and answers will not be reproduced in the minutes.]

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PENSION FUND COMMITTEE

MINUTES

27 JUNE 2018

Chair: * Councillor Nitin Parekh

Councillors: * Dean Gilligan (2) * Bharat Thakker
* Norman Stevenson

Trade Union Observers: John Royle Pamela Belgrave

Independent Advisers: * Mr C Robertson Independent Adviser
† Honorary Alderman R Romain Independent Adviser

* Denotes Member present
(2) Denotes category of Reserve Member
† Denotes apologies received

1. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

Ordinary Member

Reserve Member

Councillor Antonio Weiss

Councillor Dean Gilligan

2. Declarations of Interest

RESOLVED: To note that the following interests were declared:

All Agenda Items

Councillor Norman Stevenson declared a non-pecuniary interest in that he was a Director of Cathedral Independent Financial Planning Ltd., and that he had clients who were past and present members of the Harrow Pension Scheme. His wife was a member of Harrow Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

Councillor Bharat Thakker declared a non-pecuniary interest in that he had a personal investment made by Standard Life. He would remain in the room whilst the matters were considered and voted upon.

Councillor Dean Gilligan declared a non-pecuniary interest in that he was a member of the GMB trade union. He did not work in Harrow and would remain in the room whilst the matters were considered and voted upon.

Colin Robertson, Independent Adviser, declared that he and his mother had personal investments in GARS and Colin Cartwright, Aon Hewitt, declared that his wife had a small investment in GARS. They would remain in the room whilst the matters were considered and voted upon.

3. Appointment of Vice-Chair

RESOLVED: To appoint Councillor Bharat Thakker as Vice-Chair of the Committee for the 2018/2019 Municipal Year.

4. Minutes

RESOLVED: That the minutes of the meeting held on 7 March 2018, be taken as read and signed as a correct record, subject to the following amendment:

Minute 258 Declarations of interest

To note that Howard Bluston was a Director of Brent and Harrow Chamber of Commerce.

5. Public Questions, Petitions and Deputations

RESOLVED: To note that no public questions, petitions or deputations were received at this meeting.

RECOMMENDED ITEMS

6. Appointment of Co-opted Member

The Committee noted that Annual Council had not appointed a non-voting co-optee to the Committee for the Municipal Year 2018/19.

Resolved to RECOMMEND: (to Council)

That Howard Bluston be re-appointed as a non-voting co-optee for the Municipal Year 2018/19 under the same arrangements as 2017-18 with no advisory or representative duties attached to the role.

RESOLVED ITEMS

7. Pension Fund Committee - Update on Regular Items

The Committee received a report of the Director of Finance, which set out the draft Work Programme, performance of Fund Managers for previous periods and any issues raised by the Pension Board.

It was noted that, at its meeting on 14 June, the Pension Board had requested the inclusion of its minutes in the update report. As, due to timetabling, this had not been possible for the last meeting, Members were provided with feedback. It was noted that Harrow had performed well in terms of Pensions administration performance statistics measured against national benchmarks. It was noted that the Press had attended the Board meeting and had given a positive write up.

RESOLVED: That the Work Programme for the period up to March 2019 be agreed.

8. Information Report - Quarterly Trigger Monitoring Q1 2018

The Committee considered a report from Aon Hewitt, the Council's Investment Adviser, on Quarterly Trigger Monitoring.

The Committee noted that no de-risking actions were recommended at the current time. Aon Hewitt considered that yields would rise faster than indicated by the market over the next three and five year period.

A Member referred to the fall in the funding ratio and Colin Cartwright, Aon Hewitt, stated that this reflected the fall in equity prices and also the fall in gilt yields which increased the value of the liabilities, although there could have been a small improvement subsequent to the production of the report.

RESOLVED: That the report be noted.

9. Performance Measurement Services

The Committee received a report of the Director of Finance, which set out the performance management services being provided by Pension and Investment Consultants Limited (PIRC). The report benchmarked performance to 31 March 2018 and the Committee was invited to comment on the format and presentation requirements going forward.

An officer introduced the report and drew particular attention to the return of 8.2% pa achieved by the Fund over the last three years which, although

below the benchmark result of 8.8%, was reasonable in terms of the target. The Fund had been ranked in the top 25% of its peers over the last five years

Colin Robertson, Independent Adviser, stated that he remained dissatisfied with PIRC's work on performance measurement and he was of the view that the shortcomings needed to be addressed. He drew particular attention to the following issues:

- are the 3 and 5 year total fund peer group performance numbers percentiles or actual rankings (out of 61 funds);
- he suspected that the 12.4% private equity performance over the quarter was due to a return of capital not being properly accounted for and wondered whether cashflows were being properly treated elsewhere;
- saying that asset allocation underperformance was largely due to holdings of cash was covering only part of the narrative as what the cash was held in place of was crucial;
- he was still surprised that the significant overweight position in equities in recent years, combined with regular profit taking in equities but never down to an underweight position, had not led to a significant boost to performance from asset allocation.

The view of Colin Robertson that the performance numbers relative to the benchmark should be given at least as much prominence as the peer group numbers because the fund was managed against the benchmark, not against the peer group, was endorsed by Colin Cartwright, Aon Hewitt. In response to a question as to alternative providers, the Committee was informed that the few such providers available were mostly incorporated with a custodian.

An officer suggested that Colin Robertson attend the meeting with a representative of PIRC the following week to express the Committee's concerns and agree the statistics required for a useful report.

RESOLVED: That the report be noted.

10. Information Report - Annual Review of Internal Controls at Investment Managers

The Committee received a report which summarised the internal control review for Insight Investment, one of the Fund's ten investment managers, for the year ended 31 December 2017. The Committee was informed that the report had been reviewed and showed that controls were operating effectively and, where exceptions had been identified, that there had been a satisfactory management response.

RESOLVED: That the report be noted.

11. Information Report - London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2018

The Committee's comments were sought on the draft Pension Fund Annual Report and Financial Statements for the year ended 31 March 2018.

An officer introduced the report highlighting that the timetable had been amended to require completion of the audit by 31 July 2018. As questions had not been raised the Auditors were assumed to be content with their findings and feedback had been requested by the officers.

In response to questions and suggestions the following was noted:

- the audit of the accounts had commenced in June and not July as stated in the report;
- amendment would be made to the introduction to insert wording on the work with the London CIV and the regular updating of Members' knowledge;
- to ensure a consistent approach regarding percentiles v rankings in the tables;
- inclusion of mitigating comments as to why the fund performance over one year of 5.3% was below the benchmark return of 7.2% on page 11 of the accounts;
- to ensure consistency in wording of either independent consultant or advisers;
- to reword references to the Pension Board to reflect its monitoring and reporting role.

RESOLVED: That the report be noted.

12. Information Report - London CIV Revised Governance Arrangements

The Committee received a report outlining the new governance arrangements for London LGPS CIV Limited (London CIV). Members were invited to comment on the proposed terms of reference to be considered at the LCIV AGM on 12 July 2018.

An officer highlighted the key changes including the dissolution of the current CIV Sectoral Joint Committee and creation of a Shareholder Committee of only twelve Local Authority representatives plus the Chair of the London CIV Board. Access to the CIV would be via the shareholder group rather than direct and there would be a greater need for officers to be involved in raising issues.

The view was expressed that it would be difficult for 33 entities to be involved under the revised arrangements and it was hoped that there would be further clarification in July.

RESOLVED: That the report be noted.

13. Any Other Urgent Business

Joe Peach, Aon Hewitt, advised the Committee that some members of the Pension Fund had AVCs in Critical Life and it was possible that this business would be transferred to other funds. The Committee would be advised when further information was available.

14. Exclusion of the Press and Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
16.	London CIV Investment Strategy Pooling Options	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
17.	Information report – Investment Manager Performance Monitoring for Period Ending 31 March 2018	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))
18.	Information Report – London CIV LPGS Recharge and Pension Guarantee Agreements	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information))

15. London CIV Investment Strategy Pooling Options

The Committee received a report from the Director of Finance inviting Members to review the updated investment strategy report produced by Aon Hewitt and to consider the proposed next steps to investing passive equity in the London CIV including options for reducing fund manager fees.

Colin Cartwright, Aon Hewitt, referred to Harrow's low position on the chart of the percentage of AUM pooled per borough. He outlined the discussions on

the passive equity portfolio considerations that had occurred since the March Committee meeting and provided a recommendation on how to proceed.

The Committee discussed the quotes received in relation to managing the current passive equity portfolio, London CIV fees and transition costs. Taking this into account, together with liquidity, whether dealing took place on a weekly or daily basis, and current relationship, the recommendation of Aon Hewitt was to transition the portfolio to BlackRock. Colin Robertson, Independent Adviser, endorsed the recommendation.

In response to a question, Aon Hewitt advised that a move of bond assets to passive was not suggested at the present time but would be reviewed in future.

It was noted that depending on the legal documents the matter could be completed in approximately three months.

RESOLVED: That the Pension Fund's passive equity portfolio be transitioned to BlackRock.

16. Information Report - Investment Manager Performance Monitoring for period ending 31 March 2018

The Committee received a confidential report on Aon Hewitt's quarterly report on Harrow's investment managers. All managers other than Pantheon who had been rated had been given either 'Buy' or 'Qualified' ratings. The Pantheon private equity funds were rated by different criteria and had received a range of ratings.

Colin Cartwright, Aon Hewitt, informed the Committee of the development of a distinct Environmental, Social and Governance (ESG) rating system for buy-related investment managers with a rating of 2 being the market average. It was anticipated that ESG factors would be incorporated into new regulations. In response to a question, ESG ratings included how ESG factors were taken into account in the investment process but not what stocks / sectors such as oil were excluded and an example of which were indices on carbon footprints. There had not been any evidence of an investment manager who would leave the organisation due to the requirement to have an ESG rating.

The Committee was informed that Aviva had announced that it was selling its indirect real estate business, including the management of the Encore+ fund and the multi-manager business to LaSalle Investment Management. Subsequent to discussions Aon Hewitt had taken the decision to place both Encore+ and the Aviva Real Estate Multi-Manager business 'on review' and would revisit both ratings once the sale was completed. Aon Hewitt did not have any concerns regarding the sale as LaSalle were purchasing the whole team from Aviva and would be focusing on direct property funds. Colin Robertson, Independent Adviser, suggested that Aon Hewitt had a good impression of LaSalle from their assessment of LaSalle's other products.

Colin Robertson, Independent Adviser, suggested that feedback be obtained on what Insight were doing to prevent a re-occurrence of the 3% loss over Q1

2018. He also suggested that a comparison with how potential DGF candidates had performed over that period would be beneficial. Colin Cartwright, Aon Hewitt, undertook to report back.

RESOLVED: That the report be noted.

17. INFORMATION REPORT - London CIV LGPS Recharge and Pension Guarantee Agreements

The Committee received a report of the Director of Finance on two separate legal agreements for London LGPS CIV Limited (London CIV) participation in the Local Government Pension Scheme as an admission body. The report was considered on the grounds of urgency as the agreements needed to be signed before the next meeting of the Committee.

Members were advised that the documents had been agreed in principle at the London CIV Pensions Sectoral Joint Committee (PSJC) on 31 January 2018. On 14 March 2018 the PSJC agreed that the formal process for each authority to progress the signing of the agreements could begin. It was noted that authority to seal the agreements had been delegated to the Chair of the Pension Fund Committee in conjunction with the Section 151 officer.

The Committee noted that the report was before it for information but sought further clarification from the London CIV on the risks and liabilities in connection with signing the agreements.

RESOLVED: That

- (1) the report be noted; and
- (2) a further information report be submitted to the next meeting.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.40 pm).

(Signed) COUNCILLOR NITIN PAREKH
Chair

**REPORT FOR: PENSION FUND
COMMITTEE**

Date of Meeting:	12 September 2018
Subject:	Pension Fund Committee - Update on Regular Items
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – Fund Valuation and Performance

Section 1 – Summary and recommendation

Summary

This report updates the Committee on regular items as follows:

- Draft work programme on which the Committee's comments and agreement are requested.
- Performance of fund managers for previous periods
- Issues raised by Pension Board
- Update on external audit opinion on Pension Fund Annual Report and Statement of Accounts for 2017-18.

Recommendation

That, subject to any comments the Committee wish to make, the work programme for the period up to March 2019 be agreed.

Section 2 – Report

A Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2018-19 (Sub-section B)
 - Performance of fund managers for periods ended 30 June 2018 (Sub-section C)
 - Issues raised by Pension Board (Sub-section D)
 - External audit opinion 2017-18 (Sub-section E)

B Draft Work Programme 2018-19

2. Below is a draft for the Committee to consider as its programme of work for 2018-19.

12 September 2018

Update on regular items:

- Draft work programme for 2018-19
- Performance of fund managers for periods ended 30 June 2018
- Emerging Risks

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Performance Review 2017-18 –PIRC Report

Quarterly trigger monitoring

Investment review update

Training programme

Investment Consultancy Contract: to agree interview date

Quarterly trigger monitoring

Training session at 5.30 – tbc

November 2018 – “Meet the Managers” – date to be confirmed

27 November 2018

Update on regular items:

- Draft work programme for 2018-19 and 2018-19
- Performance of fund managers for periods ended 30 September 2018
- Issues raised by Pension Board
- Emerging risks

Investment manager monitoring

Pooling and London Collective Investment Vehicle update

Quarterly trigger monitoring

Investment review update

Investment Consultancy contract appointment

Environmental, social and governance Issues
Training session at 5.30–Presentation from Fund Actuary Hymans
Robertson.

12 March 2019

Update on regular items:

- Draft work programme for 2019-20
- Performance of fund managers for periods ended 31.12.18
- Issues raised by Pension Board
- Emerging risks

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Monitoring of operational controls at managers

External Audit plan

Training programme 2019-20

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

3. The Committee will have the opportunity to update this programme at every meeting but are invited to comment on the draft above and agree it at this stage.
4. In addition to the Committee's work programme training opportunities will be offered for an hour prior to each meeting.

C Performance of Fund Managers for Period Ended 30 June 2018

5. Attached is a table summarising the Fund valuation from 30th June 2018 to 31 July 2018 and movement in the fund valuation for the year to date.
6. The Committee are aware that for periods up to 31 March 2016 performance data was provided by State Street Global Services but that this service is no longer available to the Fund. The Fund now subscribes to the service provided by Pension and Investment Consultants Limited (PIRC) but they do not yet have full coverage of the LGPS and the value of the service will need to be assessed over coming months. It is understood that PIRC now have 61 pension schemes within their universe which is sufficient for comparative data to be of value. Elsewhere on the agenda is a performance report from PIRC and the information arising there from will be available at future committee meetings.
7. On 28th June 2017 the Committee agreed revisions to the investment strategy which included reducing the strategic asset allocation to global equities to 42% and to emerging market equities on a pro rata basis. The re-allocations are being made on a phased basis and recommendations are set out in the exempt report Equity and Diversified Growth Recommendation.

8. On 5th November 2017, the Committee agreed an immediate fund rebalancing exercise to reduce the equity weighting of the fund assets to 50%. The asset re-allocation required an equity reduction of £107m and a transfer of £25m cash. This transfer resulted in an increase in Diversified Growth Fund manager's holdings to 22% of fund assets, (the target allocation). In total £132m was transferred to Insight and Standard Life. (£65m was taken from State Street, £25m from GMO and £17m from Oldfields). The transition was completed by 12th December 2017.
9. On 27th June 2018 the Pension Fund Committee agreed to move the passive equity funds held with State Street Global Advisors Ltd (SSAG) to Blackrock one of the London CIV preferred providers . Confirmation of the transition will be provided in a verbal update to the Committee
10. There was a bulk transfer following the merger of Harrow College with Uxbridge College. The assets of Harrow College as at the calculated transfer date were are £30.4 million. The transfer was part-funded from £15 million cash and the balance from a drawdown from fund managers in March 2018. All of Harrow College's liabilities are passed to the LB Hillingdon Pension Fund.
11. The value of the Fund at the 31st March 2018 had increased over the year to £816m (£807m as at 31 March 2017). . By 30th June 2018 the market value of the fund was £830m and £846m by 31st July 2018.

D Meetings of Pension Board

12. Pension Fund Committee is invited to attend the next meeting of Pension Board at 2pm on 20th September when a representative from the Pension Regulator will be making a presentation to the Pension Board.

E External Audit of Pension Fund 2017-18

13. Following the completion of the annual audit of the Pension Fund, the external auditor KPMG issued an unqualified opinion on the pension fund financial statements for 2017-18. No recommendations were raised as a result of the work undertaken by the external auditor. The Pension Fund audit fee was £21,000 for 2017-18
http://www.harrow.gov.uk/info/200110/council_budgets_and_spending/698/statement_of_accounts/2

Financial Implications

13. There are several matters mentioned in this report, particularly asset allocation and manager performance which have significant financial implications but there are no direct financial implications arising from it as its main purpose is to provide an update on regular items.

Risk Management Implications

14. The Pension Fund has a risk register which includes all the risks identified which could affect the management of the Pension Fund. There are no new emerging risks to report

Equalities implications

15. There are no direct equalities implications arising from this report.

Council Priorities

16. 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.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Director of Finance

Date: 30 August 2018

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Iain Millar, Treasury and Pensions Manager
Tel: 0208 424 1432 (Int Ext 2432)

Background Papers: None

Fund Valuation and Performance

30th June & 31 July 2018

Asset Class	Value 31.03.2018 £'000	Value 30.06.2018 £'000	Value 31.07.2018 £'000	Allocation 31.07.2018 %	Strategic Allocation %	Strategic Range %
Global Equities						
Longview (Aug17 with CIV Unhedged)	90,034	97,940	102,673	12	10	
State Street	196,717	210,080	217,900	26	24	
GMO	77,181	74,409	75,473	9	8	
Oldfields	66,236	69,782	71,371	8	8	
Record passive currency hedge	5,865	-5,390	-4,530	N/A	N/A	
Total Global Equities	436,033	446,821	462,888			
Total Equities	436,033	446,821	462,888	54	50	45-55
Private Equity						
Pantheon	13,844	14,116	14,116			
Total Private Equity	13,844	14,116	14,116	2	5	4-6
Property						
Aviva	67,656	68,371	68,570			
Total - property	67,656	68,371	68,570	8	10	8-12
Bonds						
Blackrock - FI	81,651	81,276	80,543	11	10	
Blackrock - IL	20,794	20,589	20,543	2	3	
Total Bonds	102,445	101,866	101,086	12	13	11-15
Alternatives						
Insight	93,978	93,922	95,682	11	11	
Standard Life	95,601	93,288	93,869	11	11	
Total Alternatives	189,579	187,210	189,551	22	22	20-24
Cash & NCA						
Cash Managers	53	54	792			
Cash NatWest	3,205	8,748	7,750			
Cash Custodian (JP Morgan)	1,438	1,155	4			
Debtors and Creditors	1,728	2,097	1,915			
CIV Investment	150	150	150			
Total Net Current Assets	6,574	12,204	10,612	1	0	
Total Assets	816,131	830,587	846,823	100	100	

**REPORT FOR: PENSION FUND
COMMITTEE**

Date of Meeting:	12 September 2018
Subject:	Information Report – Quarterly Trigger Monitoring Q2 2018
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Wards affected:	All
Enclosures:	Quarterly Trigger Monitoring Q2 2018 (Aon Hewitt)

Section 1 – Summary

Summary

The Committee is requested note a report from the Fund's investment advisers Aon Hewitt on Quarterly Trigger Monitoring in line with its function to administer all matters concerning the Council's Pension investments in accordance with law and Council policy as conferred by Part 3A, Terms of Reference of the Council's Constitution.

FOR INFORMATION

Section 2 – Report

1. At their meeting on 8 September 2015 the Committee considered a report entitled “Options for Liability Driven Investments (LDI) Strategy. After discussion they resolved:

That the status quo, a 13% Bond allocation invested in a combination of corporate bonds and index-linked gilts, be retained in relation to the Fund’s Bond portfolio and that Aon Hewitt be requested to provide guidance on the catalysts that would trigger a move to an LDI Strategy with Option 2 being the preferred Option.

2. On 25 November 2015 the Committee considered a further report from Aon Hewitt which set out options for taking forward the consideration of an LDI Strategy. They resolved:

That they should receive a short report on funding levels at the next meeting of the Committee and thereafter on a quarterly basis.

3. Attached is the report for the period up to 30 June 2018. The Committee are invited to note this report from Aon Hewitt as no de-risking actions are recommended at the current time.
4. The funding level as at 30 June 2018 was 80.0%, compared to 78.3% as at 31 March 2018 and 74.3% as at 31 March 2016 on believe that yields will rise faster than indicated by the market over the next three and five year period. The funding level rose over the quarter and long term bond yields remain at low levels. Aon believe that yields will rise faster than indicated by the market over the next three and five year period

Financial Implications

5. The consideration of strategy changes is an important part of the management of the Pension Fund investments and the performance of the Fund’s investments plays an extremely important part in the financial standing of the Fund. The only financial implications arising from this report are those associated with not making any strategic changes and continuing to accept the current levels of risk.

Risk Management Implications

6. The risks arising from investment performance are included in the Pension Fund risk register.

Equalities implications

7. There are no direct equalities implications arising from this report.

Council Priorities

- Investment performance has a direct impact on the financial health of the Pension Fund which 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

Name: Dawn Calvert Director of Finance

Date: 30 August 2018

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Iain Millar, Treasury and Pensions Manager
Tel: 0208 424 1432 (Int Ext 2432)

Background Papers: None

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London Borough of Harrow Pension Fund ('the Fund')

Date: 30 August 2018
Prepared for: Pension Fund Committee ('the Committee')
Prepared by: Colin Cartwright
Joseph Peach

Quarterly Trigger Monitoring – Q2 2018

Introduction

The purpose of this short report is to provide an update on the status of three de-risking triggers which the Committee have agreed to monitor on a quarterly basis. The three triggers are related to:

- The Fund's funding level
- Yield triggers based on the 20 year spot yield
- Aon's view of bond yields

Funding level

The charts and table below show the Fund's funding level at the end of the quarter compared with the level at the last actuarial valuation as at 31 March 2016.

The funding level as at 30 June 2018 was 80.0%, compared to 78.3% as at 31 March 2018 and 74.3% as at 31 March 2016.

30 June 2018	Ongoing Basis
Assets	£831m
Liabilities	£1,038m
Surplus (deficit)	(£208m)
Funding Level	80.0%



Source: Hymans Robertson

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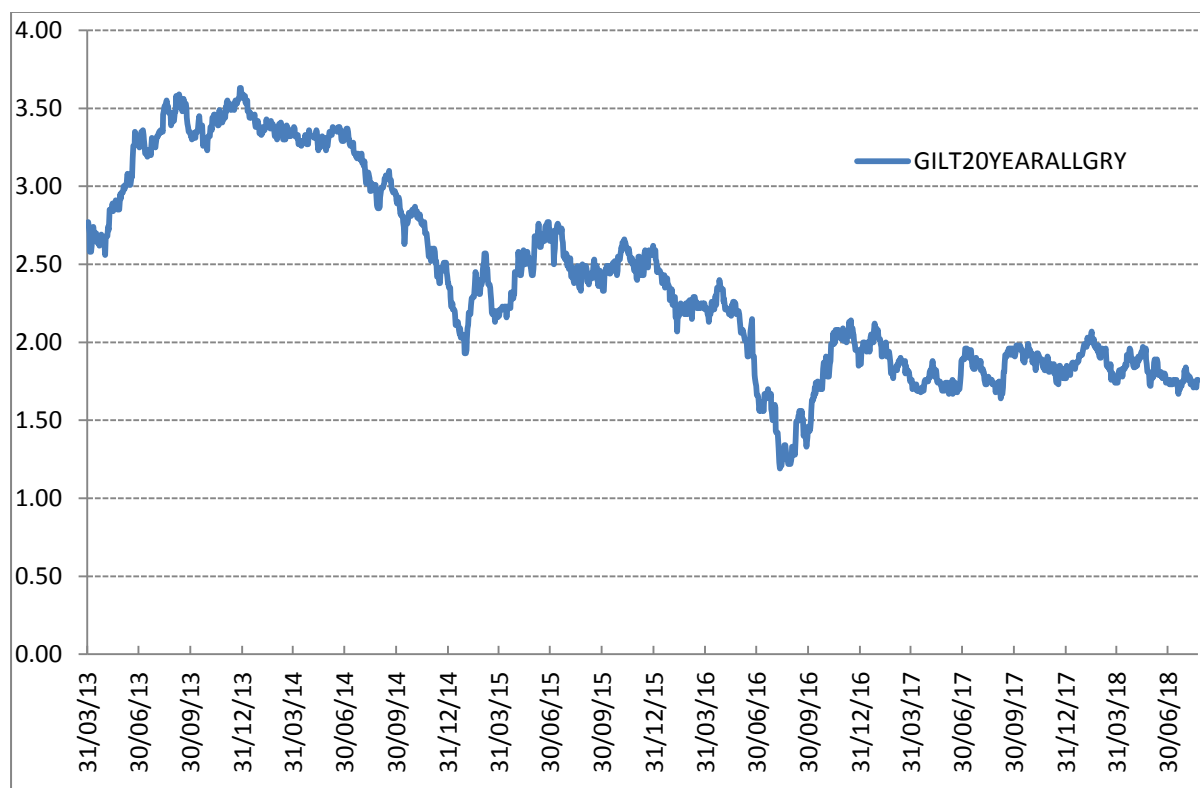
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20 year spot yield

The chart below shows the movement of the 20 year spot yield from 31 March 2013 to 23 August 2018. Yields ended the second quarter of 2018 at 1.76%, an increase from their 1.74% level at the end of Q1 2018. Yields rose over April and into mid-May but began to decrease towards the end of the month. Yields rose at the start of June before again declining through to the end of June. Since the end of Q2 2018 yields have remained flat around 1.76%.

20 year gilt spot yield



Aon Hewitt views on bond yields

The table below sets out Aon's views versus the market in terms of spot and forward rates as at 07 August 2018.

Summary of market spot and forward rates versus Aon's views

	07 August 2018	In 3 years			In 5 years		
	20 year Spot Rate	Market Pricing	Aon View	Diff	Market Pricing	Aon View	Diff
Real	-1.6%	-1.5%	-0.9%	+0.6%	-1.5%	-0.8%	+0.7%
Nominal	+1.8%	+2.0%	+2.7%	+0.7%	+2.1%	+2.8%	+0.8%
Breakeven*	+3.5%	+3.6%	+3.6%	0.0%	+3.6%	+3.6%	0.0%

* Aon view on breakeven inflation includes an allowance for an inflation risk premium above expected inflation
Totals may not sum exactly due to rounding

As shown by these figures, we believe that rates will rise faster than the market is indicating but believe that the market is accurately forecasting breakeven inflation expectations.

Conclusion

The funding level rose over the quarter and long term bond yields remain at low levels. Aon believe that yields will rise faster than indicated by the market over the next three and five year period.

No de-risking actions are recommended at the current time.

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**REPORT FOR: PENSION FUND
COMMITTEE**

Date of Meeting:	12 September 2018
Subject:	Performance Measurement Services
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 PIRC Performance Report to 30 June 2018

Section 1 – Summary and Recommendation

This report advises the Committee in respect of the performance measurement services being provided by Pension and Investment Consultants Limited (PIRC).

Recommendation:

The Committee are recommended to note the report from Pension and Investment Consultants Limited to 30 June 2018 as set out in the appendix and to advise on the format and presentation requirements for future reports.

Section 2 – Report

1. At their meeting on 7 March 2017 the Committee were provided with an update on the services then being provided by Pension and Investment Consultants Limited (PIRC). The contract with the Fund stipulates the services to be provided as:
 - Participation in the Local Authority Universe – fund and portfolio data reviewed, standardised and incorporated in the aggregate
 - Provision of quarterly and annual Universe results and analysis
 - Provision of annual league tables and analysis
 - Provision of Universe research.
2. At their meeting on 28 June 2017 the Committee approved that PIRC would be contracted to provide additional important bespoke services for the Harrow Fund and agreed that the Committee would review the format of the performance reports produced.
3. PIRC presented the first of their quarterly reports to the Committee on 18 September 2017. Benchmarked performance to 30 June 2018 is set out in Appendix 1. The Committee is invited to comment on format and presentation requirements going forward. Representatives from PIRC will be in attendance to comment on annual and quarterly performance.
4. the Fund has been advised that out of the PIRC universe of 61 LGPS funds the Harrow annual return performance has been as follows:

	Annual Performance (%)	Percentile
1 year	5.3	10
3 years	8.2	32
5 years	9.5	20

Financial Implications

5. The expenditure approved is £12,500 in 2017-18 and £8,500 (subject to inflation increases) in subsequent years is a charge on the Pension Fund.

Risk Management Implications

6. The risks arising from investment performance are included in the Pension Fund risk register.

Equalities implications

7. There are no direct equalities implications arising from this report.

Council Priorities

- 9 Investment performance has a direct impact on the financial health of the Pension Fund which 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

Name: Dawn Calvert Director of Finance

Date: 28 August 2018

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Iain Millar, Treasury and Pensions Manager
Tel: 0208 424 1432 (Int Ext 2432)

Background Papers: None

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PIRC

**LOCAL AUTHORITY
PENSION PERFORMANCE ANALYTICS**



Harrow Pension Fund

Quarterly Performance Summary

Periods to end June 2018



Performance Overview

Fund Performance

	Quarter	1 Year	3 Years (% p.a.)	5 Years (% p.a.)
Fund	0.8	5.0	9.5	9.8
Benchmark	1.8	7.6	10.4	10.2
Relative	-0.9	-2.4	-0.8	-0.3

Fund has underperformed its strategic benchmark over the latest quarter and the longer term.

The key reason for this has been the relatively poor results from the Diversified Growth magers - particularly Standard Life.

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Manager Performance

	Latest Quarter			1 Year			3 Years (% p.a.)		
	Portfolio	BM	Relative	Portfolio	BM	Relative	Portfolio	BM	Relative
Longview	8.8	8.1	0.6	10.2	10.0	0.2	9.1	8.4	0.6
SSGA	6.8	6.8	0.0	9.3	9.3	0.0	15.2	15.2	-0.1
GMO	-3.6	-2.1	-1.6	2.0	6.4	-4.1	11.3	12.0	-0.7
Oldfield	5.4	8.1	-2.5	7.2	9.6	-2.3	14.4	15.2	-0.7
Pantheon*	12.1	6.8	4.9	13.4	8.9	4.2	18.2	15.1	2.7
Aviva	1.8	1.8	0.0	8.2	9.6	-1.2	6.6	7.9	-1.2
BlackRock	-0.9	-0.7	-0.2	0.9	0.9	0.0	7.4	7.1	0.3
Insight	0.1	1.2	-1.1	2.2	4.5	-2.2	2.6	4.5	-1.9
SLIM	-2.3	1.2	-3.5	-2.0	4.5	-6.2	-1.1	4.5	-5.3

*The Pantheon performance uses the previous quarter value adjusted for cash flows in the month. As a long term investment the longer term results are the key indicators for this portfolio.



Asset Allocation

Asset Allocation

	Start Quarter		End Quarter		% BM
	GBP'000s	%	GBP'000s	%	
Equity	430,169	52	452,211	54	50
Longview	90,034	11	97,940	12	10
SSGA	196,717	24	210,080	25	24
GMO	77,182	9	74,409	9	8
Oldfield	66,236	8	69,782	8	8
Private Equity	13,844	2	14,116	2	5
Pantheon	13,844	2	14,116	2	5
ICMerty	67,656	8	68,371	8	10
AVIVA	67,656	8	68,371	8	10
Bonds	102,446	12	101,866	12	13
BlackRock	102,446	12	101,866	12	13
Diversified Growth	189,579	23	187,210	23	22
Insight	93,978	11	93,922	11	11
SLIM	95,601	12	93,288	11	11
Cash	12,439	1	6,814	1	0
Total Fund	816,132	100	830,588	100	100

The Fund asset allocation remained broadly unchanged over the quarter.

Equity allocation increased due to the relatively strong returns from the area over the period.



Performance Attribution by Manager

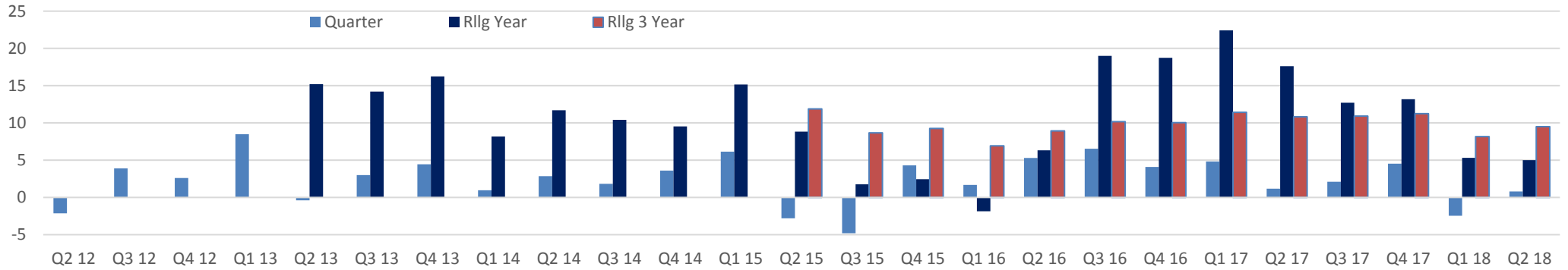
	Longview	SSGA	GMO	Oldfield	Pantheon	Aviva	BlackRock	Insight	SLIM	Cash	Total
End June 2018 (£'000s)	97,940	210,080	74,409	69,782	14,116	68,371	101,866	93,922	93,288	12,204	830,588
Latest Quarter											
Fund	8.8	6.8	-3.6	5.4	12.1	1.8	-0.9	0.1	-2.3		0.8
BM	8.1	6.8	-2.1	8.1	6.8	1.8	-0.7	1.2	1.2		1.8
Relative	0.6	0.0	-1.6	-2.5	4.9	0.0	-0.2	-1.1	-3.4		-0.9
<i>Manager Impact</i>	<i>0.1</i>	<i>0.0</i>	<i>-0.2</i>	<i>-0.2</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-0.4</i>		<i>-0.7</i>
<i>Allocation Impact</i>	<i>-0.1</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-0.1</i>
One Year											
Fund	10.2	9.3	2.0	7.2	13.4	8.2	0.9	2.2	-2.0		5.0
BM	10.0	9.3	6.4	9.6	8.9	9.6	0.9	4.5	4.5		7.6
Relative	0.2	0.0	-4.1	-2.3	4.2	-1.2	0.0	-2.3	-6.3		-2.4
<i>Manager Impact</i>	<i>0.0</i>	<i>0.0</i>	<i>-0.4</i>	<i>-0.2</i>	<i>0.3</i>	<i>-0.2</i>	<i>0.0</i>	<i>-0.3</i>	<i>-0.8</i>		<i>-1.7</i>
<i>Allocation Impact</i>	<i>0.0</i>	<i>-0.1</i>	<i>0.0</i>	<i>-0.1</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>-0.4</i>	<i>-0.3</i>
Three Years											
Fund	9.1	15.2	11.3	14.4	18.2	6.6	7.4	2.6	-1.1		9.5
BM	8.4	15.2	12.0	15.2	15.1	7.9	7.1	4.5	4.5		10.4
Relative	0.6	-0.1	-0.7	-0.7	2.7	-1.2	0.3	-1.9	-5.3		-0.8
<i>Manager Impact</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>-0.1</i>	<i>0.0</i>	<i>-0.2</i>	<i>-0.4</i>		<i>-0.6</i>
<i>Allocation Impact</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>-0.2</i>	<i>-0.1</i>
Five Years											
Fund	13.0	11.6			16.0	9.8	8.0				9.8
BM	10.9	11.6			11.6	10.8	8.0				10.2
Relative	1.9	0.0			3.9	-0.9	0.0				-0.3

Insight was appointed in January 2015 therefore do not yet have 5 year performance available
 GMO and Oldfields were appointed November 2014 and SLIM appointed June 2013 therefore no 5 year results available.



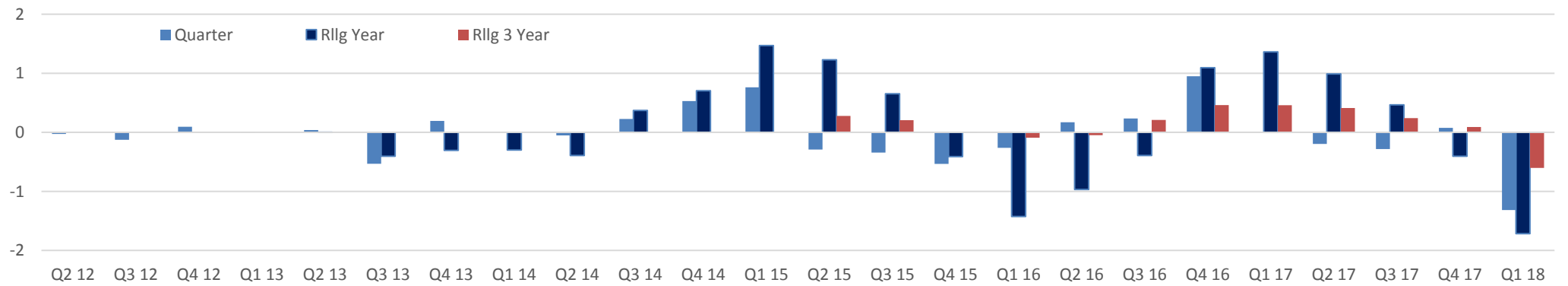
Longer Term Performance

Absolute Returns



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The Fund has produced a positive return in almost every quarter of the last five years and most rolling one and three year periods.

Relative Returns



The Fund has performed within a tight range of its Benchmark - within +/- 2% quarterly and longer term.
After a period ahead of Benchmark the Fund is now trailing as the latest quarter feeds in to the longer term.



Benchmark Allocation

The Fund restructured in late 2017 and the Benchmark was altered from the start of 2018 to reflect the changes:

%	To 31/12/2017	From 1/1/2018	
Equity	62	50	
	31	24	FTSE AW (50% Hedged)*
	21	18	MSCI World NDR (50% Hedged)
	10	8	MSCI Emerging Markets
Bonds	13	13	
	10.4	10	BAML Eurosterling > 10 years
	2.6	3	FTSE Index Linked Gilts > 5 years
Property	10	10	IPD All Balanced Funds
Diversified Growth	10	22	3 Month LIBOR +4%
Private Equity	5	5	FTSE All World **

* from Q2 2016, previously MSCI AW 50% Hedged

**from Q2 2014, previously LIBID

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