

REPORT FOR: Pension Board

Date of Meeting:

22 March 2016

Subject:

**Information Report - Pension Fund
Committee Meeting 25 November 2015**

Responsible Officer:

Dawn Calvert, Director of Finance

Exempt:

No

Wards Affected:

All

Enclosures:

None

Section 1 – Summary and Recommendation

Summary

The report sets out the matters considered by the Pension Fund Committee at their meeting on 25 November 2015 and invites the Board to agree any comments they might wish to make to the Committee.

Section 2 – Report

1. Matters considered by the Pension Fund Committee at their meeting on 25 November 2015 were as follows.

2. London Pensions Collective Investment Vehicle

The Committee received a report which summarised the progress made in setting up the London Collective Investment Vehicle (CIV) and the Harrow Fund's involvement therein. The Chief Executive of the CIV attended the meeting and was invited to contribute to the discussion.

On the day of the meeting the Council received a document from the Department for Communities and Local Government (DCLG) entitled "Local Government Pension Scheme: Investment Reform Criteria and Guidance." This document indicated that joining a CIV would not be optional and that, by 19 February, all administering authorities would be required to state their commitment to pooling and to describe their progress in this regard. Harrow's response was sent to DCLG on 19 February and, for information, was received by the Pension Fund Committee on 9 March.

Later in the meeting a Member raised concerns over perceptions that the Government may be seeking to reduce the role of administering authorities in the management of their funds by leading them towards very large pooled fund and infrastructure investments.

3. Options for Liability Driven Investment Strategy

The Committee considered a report from Aon Hewitt which set out options for taking forward the consideration of a Liability Driven Investment Strategy.

This was further considered at the meeting on 9 March 2016 and Aon Hewitt were asked to provide a short update report at each subsequent meeting of the Committee.

4. Environmental, Social and Governance Issues in Pension Fund Investment

The Committee resolved that:

(1) investment managers and Aon Hewitt, the Council's Investment Adviser, be asked to advise whether they had signed up to UN Principles for Responsible Investment (PRI);

(2) investment managers and Aon Hewitt, the Council's Investment Adviser, be asked to confirm that they had signed up to "The UK Stewardship Code" and to provide reports on their engagement and voting actions;

(3) in the light of the responses received to resolutions (1) and (2) above, the Fund consider further whether to sign up to "The UK Stewardship Code" in its own right following the receipt of a further report setting out any conditions in relation to appendix 3 of the report and concerns about creating an infrastructure dependent on resolutions (1) and (2) above;

(4) the Fund take a more active involvement in the Local Authority Pension Fund Forum by attending meetings at a Member or officer level and by more specifically associating itself with various initiatives;

(5) within the Statement of Investment Principles the current paragraph on “social, environmental or ethical considerations” be amended in accordance with paragraph 27 of the report and those made at the meeting, as follows:

“The Council recognises that it has a paramount duty to seek to obtain the best possible return on the Fund’s investments taking into account a properly considered level of risk. As a general principle it considers that the long-term financial performance of a country/asset in which it invests is likely to be enhanced if good practice is followed in environmental, social and governance activities.

All the Fund’s investments are managed by external fund managers mostly within pooled funds. Currently, one is passively managed and one is specifically invested in emerging markets. The Council recognises the constraints inherent in this policy. Nevertheless it expects its external fund managers, acting in the best financial interests of the Fund, to consider, amongst other factors, the effects of environmental, social and other issues on the performance of countries and assets in which they invest.

The Council expects its external fund managers to have signed up to “The UK Stewardship Code” and to report regularly on their compliance with the Code and other relevant environmental, social and governance principles.”

(6) the Pension Board be requested to consider the need for admitted bodies to be involved in consideration of the importance of ESG issues and to what extent the views of the beneficiaries and representatives of beneficiaries should be taken into account.

There is a report on Environmental, Social and Governance issues elsewhere on the agenda where the Board are asked to consider resolution (6) above.

5. Benchmarking and Key Performance Indicators

As received by the Board on 2 November, the Committee received a report on a request from the Local Government Pension Scheme - Scheme Advisory Board - that each administering authority completes a pro-forma providing information on key performance indicators. The report also advised the Committee of the return sent to the Scheme Advisory Board.

6. Meeting of Pension Board on 2 November 2015

The Committee received a report regarding the matters considered by the Pension Board at their meeting on 2 November 2015 and of the most significant issues raised by them.

The Chair of the Pension Board addressed the Committee and outlined the interests of the Board which were: performance of the Fund, including key performance indicators (KPIs) and management costs. He added that the Board would continue to make representations on the need to have access to

“confidential” reports considered by the Committee as the practice on access varied from one authority to another.

The Board was of the view that, in order for it to do its “business” effectively, it needed to meet more frequently and that representations in this regard would continue as the two meetings allocated were insufficient.

The Chair of the Pension Board added that training was provided and that a high level of knowledge was required from the Board’s members.

An Independent Adviser to the Committee recognised that the Board would need to meet frequently and asked Members to make representations about accessibility to “confidential” reports considered by the Committee. The Chair of the Pension Fund Committee cited the example of the agenda for this meeting and stated that a concerted effort had been made by officers to ensure that, where possible, the reports considered by the Committee were available for public access and that “confidential” reports were limited in number. In light of the practice in other local authorities and the statutory nature of the Pension Board, the Chair asked officers for further legal advice on the ability of the Board to access “confidential” reports.

7. Work Programme for 2015-16 and 2016-17

The Committee received its draft work programme for the remainder of financial year 2015-16 and 2016-17 for approval.

The need to include additional reports discussed at this meeting was noted and a discussion on whether a report on the Collective Investment Vehicle (CIV) ought to be more frequent ensued.

8. London Borough of Harrow Pension Fund: Annual Report and Financial Statements for the year ended 31 March 2015

Having considered the report of the External Auditor on matters arising from the audit of the Pension Fund Annual Report and Financial Statements for the year ended 31 March 2015, the Committee approved them.

9. Performance of Fund Managers for Quarter Ended 30 September 2015 and Valuation at 31 October 2015

The Committee received a report setting out the performance of the investment managers and of the overall Fund for the quarter, year and three years ending 30 September 2015 and the valuation at 31 October 2015. They noted that Aon Hewitt would be reviewing the performance of Oldfield Partners LLP and inform members of the outcome.

10. Investment Manager Monitoring

The Committee received a confidential report which set out Aon Hewitt's quarterly report on Harrow's investment managers and noted that all managers were rated either "Buy" or "Qualified".

Financial Implications

11. Whilst this report discusses numerous matters relevant to the financial standing of the Pension Fund there are no financial implications arising directly from it.

Risk Management Implications

12. Relevant risks are included in the Pension Fund Risk Register.

Equalities implications

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

Council Priorities

14. 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

Section 3 - Statutory Officer Clearance

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| Name: | Dawn Calvert | <input checked="" type="checkbox"/> | Chief Financial Officer |
| Date: | 25 February 2016 | | |

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| Ward Councillors notified: | Not applicable |
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Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None