

**REPORT FOR: PENSION FUND COMMITTEE**

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**Date of Meeting:** 21 June 2016

**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  
Appendix 2 – Fund Performance

**Section 1 – Summary and Recommendations**

**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 quarter
- Issues raised by Pension Board

**Recommendation**

That, subject to any comments the Committee wish to make, the work programme for the period up to March 2017 be agreed.



## **Section 2 – Report**

### **A Introduction**

1. This report updates the Committee on regular items as follows:
  - Draft work programme for 2016-17 (Sub-section B)
  - Performance of fund managers for quarter ended 31 March 2016 and valuation at 30 April 2016 (Sub-section C)
  - Issues raised by Pension Board (Sub-section D)

### **B Draft Work Programme 2016-17**

2. Below is a draft for the Committee to consider as its programme of work for the remainder of the financial year.

#### **6 September 2016**

Update on Regular Items:

- Draft work programme for 2016-17
- Performance of fund managers for quarter ended 30 June 2016
- Issues raised by Pension Board

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Update on triennial valuation

Lead Member roles

Long term cashflow and funding

Review of Statement of Investment Principles

Investment management expenses

Monitoring of operational controls at managers - Insight

Infrastructure and local investing

Investment Strategy

Quarterly Trigger Monitoring

Environmental, Social and Governance Issues

Training session at 5.30 – Infrastructure and local investing

#### **13 October – “Meet the Managers”**

#### **22 November 2016**

Update on Regular Items:

- Draft work programme for 2016-17 and 2017-18
- Performance of fund managers for quarter ended 30 September 2016
- Issues raised by Pension Board

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Update on triennial valuation

Audited Annual Report and Financial Statements 2015-16 including Auditors' Report

Investment Strategy

Quarterly Trigger Monitoring

Environmental, Social and Governance Issues

Training session at 5.30 – tbc

## **7 March 2017**

Update on Regular Items:

- Draft work programme for 2016-17 and 2017-18
- Performance of fund managers for quarter ended 31 December 2016
- Issues raised by Pension Board

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Results of triennial valuation

Funding Strategy Statement

Monitoring of operational controls at managers

External audit plan

Training programme 2017-18

Investment Strategy

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 Quarter Ended 31 March 2016 and Valuation at 30 April 2016.**

5. Attached are tables summarising the Fund valuation at 31 March 2016 and 30 April 2016 (Appendix 1) and Fund performance as at 31 March 2016 (Appendix 2).
6. As calculated by State Street Global Services, the Fund return in the quarter to 31 March 2016 of 1.7% was 0.3% below benchmark due mainly to underperformance from GMO, Oldfields and Standard Life, partly offset by outperformance by Longview.
7. The one year return of -1.9% was below the benchmark of -0.4% due mainly to the disappointing performance of the Insight (-10.7%), Standard Life (-9.4%) and Oldfields (-8.3%) mandates partly offset by the good relative performance of Pantheon (19.1%) and Longview (4.5%).
8. The value of the Fund at the end of March 2016 had increased over the quarter from £651m to £661m (£675m as at 31 March 2015) and in April 2016 had increased slightly to £663m, fallen back to £638m due largely to the performance of the equities mandates.

## **D Meeting of Pension Board on 22 March 2016**

9. The Pension Board met on 22 March. The agenda they considered is detailed below together with the most significant points raised by them.

Actuarial Valuation 2016

The Board received a presentation from the Actuary, Hymans Robertson and raised queries as follows:

- if the local authority, as administering authority of the Fund, fixed the contribution rate that was, in the view of the Board, too low the Board should raise this as an issue;
- the role of the Board was to ensure that the administering authority had been through a proper process to set the contribution rate;
- a member of the Board questioned how he could be sure that the work being done by the actuary was correct and was advised that only the process could be checked;
- the position in terms of academies was questioned and it was acknowledged that depending on its profile, the contribution rate may be higher;
- any fund could be chosen by an admitted body but it was questioned whether an academy in Harrow could choose a fund in, for example, Hillingdon or Barnet;
- some of the assumptions were questioned/ challenged.

#### Management and Investment Expenses Benchmarking

The Board noted the report

#### Pension Fund Committee Advisers

The Board noted the report

#### Governance Compliance Statement

The Board received a report which detailed the existing Governance Compliance Statement. and were invited to submit comments on the Statement by no later than mid May 2016.

The Board expressed concern in relation to the lack of access of some members to the Part II papers submitted to the Pension Fund Committee. Harrow's compliance with routine practice was questioned. The Board requested that the practice used by other local authorities be researched

#### Pension Fund Committee Meeting 25 November 2015

The Board resolved that:

- a letter be sent to the Scheme Advisory Board expressing the Board's concern that the services provided by StateStreet Global Services would no longer be available;
- the Board consider the process whereby the Pension Fund Committee were making decisions based on the advice provided by AON Hewitt.

#### Annual Review of Internal Controls at Fund Managers

The Board noted the report

## Environmental, Social and Governance Issues in Pension Fund Investment

The Board received a report which set out the responses received to requests to the Fund managers in relation to Environmental, Social and Governance (ESG) Issues.

The Board noted that there had not been unanimous signing up to the Codes by the managers and that they should be asked questions in relation to ESG issues at shortlisting/ an early stage. A Board member questioned the compliance if the Council invested in the Collective Investment Vehicle (CIV). It was suggested that Fund managers be questioned on ESG issues when they gave their presentation.

### **Financial Implications**

10. 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 the report.

### **Risk Management Implications**

10. The Pension Fund has a risk register which includes all the risks identified which could affect the management of the Pension Fund.

### **Equalities implications**

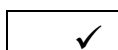
11. There are no direct equalities implications arising from this report.

### **Council Priorities**

12. 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**

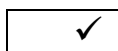
Name: Dawn Calvert



Director of Finance

Date: 7 June 2016

Name: Alison Burns



on behalf of the  
Monitoring Officer

Date: 8 June 2016

**Ward Councillors notified:**

**Not applicable**

## **Section 4 - Contact Details**

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

**Background Papers - None**

## Total Portfolio Allocation by Manager &amp; Asset Class

31 March and 30 April 2016

Asset Class	Value 31.03.2015 £'000	Value 31.03.2016 £'000	Value 30.04.2016 £'000	Allocation 30.04.2016 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>						
Longview	75,561	75,499	75,870	12	11	
State Street	220,601	219,424	218,545	33	31	
GMO	76,541	71,463	70,971	11	10	
Oldfields	77,276	70,701	73,364	11	10	
<b>Total Global Equities</b>	<u>449,979</u>	<u>437,087</u>	<u>438,750</u>			
<b>Total Equities</b>	<u>449,979</u>	<u>437,087</u>	<u>438,750</u>	<u>66</u>	<u>62</u>	<u>58-68</u>
<b>Private Equity</b>						
Pantheon	22,954	20,571	20,571			
<b>Total Private Equity</b>	<u>22,954</u>	<u>20,571</u>	<u>20,571</u>	<u>3</u>	<u>5</u>	<u>4-6</u>
<b>Property</b>						
Aviva	50,562	53,481	53,421			
<b>Total - property</b>	<u>50,562</u>	<u>53,481</u>	<u>53,421</u>	<u>8</u>	<u>10</u>	<u>8-12</u>
<b>Bonds</b>						
Blackrock - FI	69,247	69,401	69,090	10	10	10
Blackrock - IL	17,130	17,577	17,062	3	3	3
<b>Total Bonds</b>	<u>86,377</u>	<u>86,978</u>	<u>86,152</u>	<u>13</u>	<u>13</u>	<u>11-15</u>
<b>Alternatives</b>						
Insight	28,857	27,071	27,263	4	5	5
Standard Life	30,678	29,216	29,353	4	5	5
<b>Total Alternatives</b>	<u>59,535</u>	<u>56,287</u>	<u>56,616</u>	<u>9</u>	<u>10</u>	<u>8-12</u>
<b>Cash &amp; NCA</b>						
Cash Managers	865	44	797			
Cash NatWest	4,632	10,048	4,967			
Record passive currency hedge	-2,649	-6,388	-1,968			
Cash Custodian (JP Morgan)	1,433	1,437	32			
Debtors and Creditors	1,157	1,306	3,349			
<b>Total Net Current Assets</b>	<u>5,438</u>	<u>6,447</u>	<u>7,177</u>	<u>1</u>	<u>0</u>	
<b>Total Assets</b>	<u>674,845</u>	<u>660,851</u>	<u>662,687</u>	<u>100</u>	<u>100</u>	



## Appendix 2

## Investment Performance – 31 March 2016

Asset Class	Quarter			Year		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
	%	%	%	%	%	%
<b>Global Equities</b>						
Longview	3.2	-2.0	5.2	-0.1	-4.6	4.5
State Street	2.9	2.9	0.0	-0.6	-0.6	0.0
GMO	4.0	8.4	-4.4	-6.6	-8.8	2.2
Oldfields	0.4	2.2	-1.8	-8.6	-0.3	-8.3
<b>Total</b>	<b>2.6</b>	<b>2.5</b>	<b>0.1</b>	<b>-3.8</b>	<b>-3.2</b>	<b>-0.6</b>
<b>Bonds</b>						
<b>Blackrock</b>						
Corporate Bonds	4.4	4.2	0.2	-0.6	-0.5	-0.1
Index Linked	4.8	4.7	0.1	0.0	0.0	0.0
<b>Total</b>	<b>4.7</b>	<b>4.7</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.1</b>
<b>Property</b>						
Aviva	0.9	1.1	-0.2	9.3	10.8	-1.5
<b>Total</b>	<b>0.9</b>	<b>1.1</b>	<b>-0.2</b>	<b>9.3</b>	<b>10.8</b>	<b>-1.5</b>
<b>Private Equity</b>						
Pantheon	2.5	3.0	-0.5	18.6	-0.5	19.1
<b>Total</b>	<b>2.5</b>	<b>3.0</b>	<b>-0.5</b>	<b>18.6</b>	<b>-0.5</b>	<b>19.1</b>
<b>Alternatives</b>						
Insight	0.1	1.1	-1.0	-6.2	4.5	-10.7
Standard Life	-3.3	1.1	-4.4	-4.8	4.6	-9.4
<b>Total</b>	<b>-1.7</b>	<b>1.1</b>	<b>-2.8</b>	<b>-5.5</b>	<b>4.6</b>	<b>-10.1</b>
<b>Total Fund</b>	<b>1.7</b>	<b>2.0</b>	<b>-0.3</b>	<b>-1.9</b>	<b>-0.4</b>	<b>-1.5</b>