

# **REPORT FOR: Pension Fund Committee**

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<b>Date of Meeting:</b>	22 November 2016
<b>Subject:</b>	Pension Fund Committee - Update on Regular Items
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance
<b>Exempt:</b>	No.
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Fund Valuation and 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 periods
- 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 and 2017-18 (Sub-section B)
  - Performance of fund managers for periods ended 30 September 2016 (Sub-section C)
  - Issues raised by Pension Board (Sub-section D)

### **B Draft Work Programme 2016-17 and 2017-18**

2. Below is a draft for the Committee to consider as its programme of work for the remainder of 2016-17 and the whole of 2017-18.

#### **7 March 2017**

Update on regular items:

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

Investment manager monitoring

Investment Strategy Statement

Property investment

Pooling and London Collective Investment Vehicle

Results of triennial valuation

Medium term cashflow

Funding Strategy Statement

Monitoring of operational controls at managers

Reporting breaches of the law policy

External audit plan

Training programme 2017-18

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

#### **June 2017**

Update on regular items:

- Draft work programme for 2017-18
- Performance of fund managers for periods ended 31 March 2017
- Issues raised by Pension Board

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Review of Governance Compliance Statement

Review of Communications Policy Statement

Review of risk register

Draft Annual Report and Financial Statements 2016-17

Performance Review 2016-17

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

## **September 2017**

Update on regular items:

- Draft work programme for 2017-18
- Performance of fund managers for periods ended 30 June 2017
- Issues raised by Pension Board

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Management expenses

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

## **September 2017 – “Meet the Managers”**

## **November 2017**

Update on regular items:

- Draft work programme for 2017-18 and 2018-19
- Performance of fund managers for periods ended 30 September 2017
- Issues raised by Pension Board

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Audited Annual Report and Financial Statements 2016-17

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

## **March 2018**

Update on regular items:

- Draft work programme for 2018-19
- Performance of fund managers for periods ended 31 December 2017
- Issues raised by Pension Board

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Monitoring of operational controls at managers

External Audit plan

Training programme 2018-19

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 Periods Ended 30 September 2016**

5. Attached is a table summarising the Fund valuation at 30 September 2016 and estimated fund performance 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. Over coming months, the ability of the Council to calculate its own performance data will increase but, for this report, the simple relationship of the valuations of the various investments compared to the baselines of 30 September 2015 and 31 March 2016 has been used. The Fund now subscribes to the service provided by Pension and Investment Consultants Limited 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.
7. The value of the Fund at the end of September 2016 had increased over the year to date from £661m to £743m (12.4%) .This increase has been due mainly to the large increases in the values of the equities portfolios with their global bias and substantial valuations in dollars, euros and yen all of which have appreciated in value against sterling. There has also been a substantial “value” increase and even higher percentage increase in the bonds portfolio. The Fund’s hedging strategy has, of course, mitigated some of the gains.
8. The one year return from September 2015 of 19%, increasing the value of the Fund from £624m to £743m, was the result mainly of outstanding returns from equities (27.4%) and bonds (26.8%) partly offset by minimal returns from the property and DGF portfolios..

## **D Meeting of Pension Board on 2 November 2016**

9. The Pension Board met on 2 November. The agenda they considered is detailed below together with the most significant points raised by them.

### Actuarial Valuation 2016

10. The Board received a presentation from the Actuary, Hymans Robertson, and raised queries with the Actuary and officers. They were particularly concerned that the Committee should take a view on risk and that it is their role, as the Board, to seek to ensure that unnecessary risks are not taken.
11. The Board noted the report.

### Annual Report and Financial Statements for the Year Ended 31 March 2016

12. The Board received a report which presented the Annual Report and Financial Statements for the Year Ended 31 March 2016. The report included answers to queries previously raised by the Board when they considered the draft Report and Statements and the Annual Audit Letter received from the external auditor KPMG.

13. The Board were particularly concerned to see the recommendation of the auditor in respect of the inability of the Council to ensure that all Pension Fund receipts and payments are processed directly through the Pension Fund bank account. They understood the response given by the Treasury and Pension Fund Manager but emphasised their concern over the potential risk and governance implications. They wished to support the Auditor's recommendation and asked that further efforts be made to comply with the recommendation.

14. The Board noted the report.

#### Status of Pension Board / Insurance Arrangements

15. The Board agreed that the Council should arrange insurance cover, with no excess, for the Board on the lines described in the report.

#### Draft Annual Report to Council 2016

16. The Board agreed the draft of the report they need to present to Council on 1 December 2016.

#### Review of Terms of Reference

17. The Board agreed that the Council should be asked to agree:

- That the Board should meet at least twice each year up to a maximum of four times, preferably synchronised with the meetings of the Committee.
- That a way should be sought eg by appointing two new members from next April, to ensure that the terms of office of each of the members do not end at the same time and that continuity is maintained.

#### The Local Government Scheme (Management and Investment of Funds) Regulations 2016

18. The Board noted the new requirements and in particular Regulation 6 covering the Fund having a separate bank account.

#### Statement of Investment Principles / Investment Strategy Statement

19. The Board noted the new Guidance

#### Pension Fund Committee Meetings: 21 June 2016 and 6 September 2016

20. The Board noted the minutes of the two meetings of the Committee.

#### Performance Monitoring

21. The Board agreed to receive future information along the lines suggested in the report but asked officers to take into account comparable information provided to other local pension boards and relevant key performance indicators. They asked that a customer satisfaction survey be considered and that each member of the Board be sent a copy of the Annual Newsletter.

## Compliance with the Pensions Regulator Code of Practice

22. The Board were satisfied with the format and content of the information provided and noted the report.

## Knowledge and Understanding of Local Government Pension Scheme

23. The Board noted the report and requested that they be kept advised of learning opportunities available to them and that a record be maintained of training undertaken..

## Work Programme

24. The Board agreed the work programme as described, with the addition of the “Breaches” policy. They asked that their next meeting be arranged for the afternoon of 7 March 2017 in order that they could provide comments on the actuarial valuation and contribution rates and the Funding Strategy Statement for consideration by the Pension Fund Committee at their meeting in the evening of that day.
25. The Board expressed the view that the Chair of the Committee be invited to attend their next meeting.

## **Financial Implications**

26. 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**

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

## **Equalities implications**

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

## **Council Priorities**

29. 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: 10 November 2016

Name: Noopur Talwar

on behalf of the  
Monitoring Officer

Date: 10 November 2016

**Ward Councillors notified:**

**Not applicable**

### **Section 4 - Contact Details**

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

**Background Papers - None**

## Fund Valuation and Performance

30th September 2016

Asset Class	Value 31.03.2016 £'000	Value 30.09.2016 £'000	Movement YTD (Mar to Sep16)	Allocation 30.09.2016 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>						
Longview (Hedged)	75,499	78,643	4.16%	11	11	
State Street	219,424	258,674	17.89%	35	31	
GMO	71,463	87,175	21.99%	11	10	
Oldfields	70,701	86,808	22.78%	11	10	
<b>Total Global Equities</b>	<u>437,087</u>	<u>511,300</u>				
<b>Total Equities</b>	<u>437,087</u>	<u>511,300</u>	16.98%	<u>68</u>	<u>62</u>	<u>58-68</u>
<b>Private Equity</b>						
Pantheon	20,571	20,587	0.08%			
<b>Total Private Equity</b>	<u>20,571</u>	<u>20,587</u>		<u>3</u>	<u>5</u>	<u>4-6</u>
<b>Property</b>						
Aviva	53,481	52,590	-1.67%			
<b>Total - property</b>	<u>53,481</u>	<u>52,590</u>		<u>7</u>	<u>10</u>	<u>8-12</u>
<b>Bonds</b>						
Blackrock - FI	69,401	83,044	19.66%	11	10	10
Blackrock - IL	17,577	21,110	20.10%	3	3	3
<b>Total Bonds</b>	<u>86,978</u>	<u>104,154</u>	19.75%	<u>15</u>	<u>13</u>	<u>11-15</u>
<b>Alternatives</b>						
Insight	27,071	28,318	4.61%	4	5	5
Standard Life	29,216	28,989	-0.78%	4	5	5
<b>Total Alternatives</b>	<u>56,287</u>	<u>57,307</u>	1.81%	<u>8</u>	<u>10</u>	<u>8-12</u>
<b>Cash &amp; NCA</b>						
Cash Managers	44	11				
Cash NatWest	10,048	8,054				
Record passive currency hedge	-6,388	-12,272				
Cash Custodian (JP Morgan)	1,437	20				
Debtors and Creditors	1,306	1,007				
CIV Investment	150	150				
<b>Total Net Current Assets</b>	<u>6,597</u>	<u>-3,032</u>		<u>0</u>	<u>0</u>	
<b>Total Assets</b>	<u>661,001</u>	<u>742,907</u>	12.39%	<u>100</u>	<u>100</u>	