

REPORT FOR: Pension Fund Committee

Date of Meeting:	7 March 2017
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

Recommendation

That, subject to any comments the Committee wish to make, the work programme for the period up to March 2018 be agreed.

Section 2 – Report

A Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2017-18 (Sub-section B)
 - Performance of fund managers for periods ended 31 December 2016 (Sub-section C)
 - Issues raised by Pension Board (Sub-section D)

B Draft Work Programme 2017-18

2. Below is a draft for the Committee to consider as its programme of work for 2017-18.

28 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 Strategy Review

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Review of risk register

Draft Annual Report and Financial Statements 2016-17

Performance Review 2016-17

Quarterly trigger monitoring

Property investment

Medium term cashflow

Monitoring of operational controls at Longview and Insight

Review of Actuarial and Investment Consultancy contracts

Training programme

Environmental, social and governance issues including Stewardship Code

Training session at 5.30 – London CIV

18 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

Audited Annual Report and Financial Statements 2016-17

Management expenses

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

September 2017 – “Meet the Managers”

21 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

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

7 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 31 December 2016 and 31 January 2017

5. Attached is a table summarising the Fund valuation at 31 December 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 31 December 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 December 2016 had increased over the year to date from £661m to £770m (16.5%). 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 significant percentage increase in the bonds portfolio. The Fund’s hedging strategy has, of course, mitigated some of the gains. At the end of January 2017 the value of the Fund had increased to £776m.
8. As agreed by the Committee, during the quarter ended 31 December 2016 a re-balancing exercise was carried out whereby a sum of £20m was withdrawn from the State Street global equities mandate and transferred to the Aviva property mandate (£10m) and cash to fund the currency hedging costs (£10m)
9. The one year return from December 2015 of 18%, increasing the value of the Fund from £651m to £770m, was the result mainly of outstanding returns from equities (22.6%) and bonds (16.7%) partly offset by minimal returns from the property and DGF portfolios..

D Meeting of Pension Board on 7 March 2017

10. The Pension Board met at 2.00 on 7 March with the following agenda:
 - Insurance Cover for the Board
 - Actuarial Valuation
 - Funding Strategy Statement
 - Investment Strategy Statement
 - Communications Policy Statement
 - Governance Compliance Statement
 - Policy for Reporting Breaches of the Law
 - Performance Monitoring of Pensions Administration Service
 - External Audit Plan 2016-17
 - Pension Fund Committee Meeting – 22 November 2016
 - Annual Review of Internal Controls at Investment Managers.
11. Any matters raised by the Board and not considered elsewhere on the agenda will be reported verbally

Financial Implications

12. 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

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

Equalities implications

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

Council Priorities

15. 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: 23 February 2017

Name: Caroline Eccles

on behalf of the
Monitoring Officer

Date: 23 February 2017

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

31st December and 31st January 2017

Asset Class	Value 31.03.2016 £'000	Value 31.12.2016 £'000	Value 31.01.2017 £'000	Movement YTD (Mar to Jan17)	Allocation 31.01.2017 %	Strategic Allocation %	Strategic Range %
Global Equities							
Longview (Hedged)	75,499	81,068	82,473	9.24%	11	11	
State Street	219,424	253,222	255,452	16.42%	33	31	
GMO	71,463	85,549	87,649	22.65%	11	10	
Oldfields	70,701	101,215	102,383	44.81%	12	10	
Total Global Equities	<u>437,087</u>	<u>521,053</u>	<u>527,957</u>				
Total Equities	<u>437,087</u>	<u>521,053</u>	<u>527,957</u>	20.79%	<u>67</u>	<u>62</u>	<u>58-68</u>
Private Equity							
Pantheon	20,571	21,132	21,132	2.73%			
Total Private Equity	<u>20,571</u>	<u>21,132</u>	<u>21,132</u>		<u>3</u>	<u>5</u>	<u>4-6</u>
Property							
Aviva	53,481	63,479	63,572	18.87%			
Total - property	<u>53,481</u>	<u>63,479</u>	<u>63,572</u>		<u>8</u>	<u>10</u>	<u>8-12</u>
Bonds							
Blackrock - FI	69,401	78,751	76,419	10.11%	10	10	10
Blackrock - IL	17,577	19,743	19,562	11.29%	3	3	3
Total Bonds	<u>86,978</u>	<u>98,494</u>	<u>95,981</u>	10.35%	<u>13</u>	<u>13</u>	<u>11-15</u>
Alternatives							
Insight	27,071	28,286	28,360	4.76%	4	5	5
Standard Life	29,216	29,403	29,331	0.39%	4	5	5
Total Alternatives	<u>56,287</u>	<u>57,689</u>	<u>57,691</u>	2.49%	<u>8</u>	<u>10</u>	<u>8-12</u>
Cash & NCA							
Cash Managers	44	52	816				
Cash NatWest	10,048	12,452	5,932				
Record passive currency hedge	-6,388	-6,090	390				
Cash Custodian (JP Morgan)	1,437	2	10				
Debtors and Creditors	1,306	1,926	2,275				
CIV Investment	150	150	150				
Total Net Current Assets	<u>6,597</u>	<u>8,492</u>	<u>9,573</u>		<u>1</u>	<u>0</u>	
Total Assets	<u>661,001</u>	<u>770,340</u>	<u>775,906</u>	17.38%	<u>100</u>	<u>100</u>	