

REPORT FOR: Pension Fund Committee

Date of Meeting: 28 June 2017

Subject: Performance Measurement Services

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: None

Section 1 – Summary and recommendation

Summary

This report advises the Committee of the latest position in respect of the performance measurement services being provided by Pension and Investment Consultants Limited and recommends that additional services be purchased. According to Part 3A, Responsibility for Functions of the Council's Constitution the Pension Fund Committee is under a duty to administer all matters concerning the Council's pension investments in accordance with law and Council policy.

Recommendation

The Committee are recommended to agree that Pension and Investment Consultants Limited be contracted to provide bespoke performance measurement services as described in paragraph 3 at an annual fee, subject to inflation uplifts, of £8,500 and a one-off charge of £4,000.

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. These services are being provided but additional important bespoke services for the Harrow Fund are not. This restricts the ability of the Committee and officers to fully understand the performance of the Fund.
3. The Committee have been advised that PIRC also offer individual / bespoke consultancy services at additional costs and the Committee are now asked to consider this. PIRC have provided a quotation as follows:

Please find below a quotation for provision of performance measurement services to the Harrow Pension Fund.

We would propose, subject to further discussion with the fund, that we would provide, on a quarterly basis a performance report incorporating the overall fund performance relative to its benchmark over the latest period and longer term periods as defined by yourselves. We would also calculate the total fund benchmark on an including and excluding currency hedging basis so that the impact of the hedging can be clearly identified.

The report would include the performance of the individual portfolio managers relative to their benchmarks over the same periods. We would include some attribution analysis so that what is driving the relative performance can be easily identified.

On an annual basis we would provide a fuller analysis that would be presented to the committees by one of our consultants to allow a more in depth analysis of the numbers and the market background.

The fee for providing this service would be £8,500 (ex VAT), with an annual review subject to inflation uplifts (in line with the CPI, RPI measure the fund uses).

The quotation is based on the fund having the existing structure with the managers supplying performance data for their portfolio and benchmark directly to us, ideally on a monthly basis. If the structure altered significantly we would reserve the right to alter the fee to reflect any additional work (or, conversely to reduce the fee to reflect reduced workload)

There will be a one off fee of £4000 to cover the work involved in creating portfolio level historical data, incorporating any historical data that was secured from State Street and / or data directly from the managers and bridging the gap since the formal measurement ceased.

4. If the Committee agree to entering into a contract for these services PIRC have indicated that they will be able to provide a report and presentation for the Committee's next meeting. The provision of the additional services would also allow officers to improve the commentary currently included in the Fund's annual report and at each of the Committee's meetings.
5. The Committee are therefore recommended to agree to the purchase of the services from PIRC as described in paragraph 3 above at an annual fee, subject to inflation uplifts, of £8,500 and a one-off charge in 2017-18 of £4,000.

Financial Implications

6. The expenditure recommended of £12,500 in 2017-18 and £8,500 (subject to inflation increases) in subsequent years would be a charge on the Pension Fund.

Risk Management Implications

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

Equalities implications

8. 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	<input checked="" type="checkbox"/>	Director of Finance
Date: 15 June 2017		
Name: Noopur Talwar	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 19 June 2017		

Ward Councillors notified:

NO

Section 4 - Contact Details

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

Background Papers - None