

REPORT FOR: Pension Fund Committee

Date of Meeting: 28 June 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 March 2017 (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.

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 Strategy Statement

Investment strategy

Property investment

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Medium term cashflow

Audited Annual Report and Financial Statements 2016-17

Management expenses

Quarterly trigger monitoring

Performance measurement services

Training programme

Monitoring of operational controls at Insight

Review of actuarial and investment consultancy contracts

Environmental, social and governance Issues

Training session at 5.30 – Infrastructure / property

11 October 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 March 2017 and 31 May 2017

5. Attached is a table summarising the Fund valuation at 31 March 2017 and 31 May 2017 and movement in the fund valuation 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. The Fund now subscribes to the service provided by Pension and Investment Consultants Limited (PIRC) 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. It is understood that PIRC now have 61 pension schemes within their universe which is sufficient for comparative data to be of value. Elsewhere on the agenda is a report recommending that additional services be subscribed to and the information arising therefrom will be available at all subsequent committee meetings.
7. The value of the Fund at the end of March 2017 had increased over the year from £661m to £807m (22%). 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 May 2017 the value of the Fund had increased further to £816m.
8. As agreed by the Committee, during the quarter ended 31 March 2017 a re-balancing exercise was carried out whereby a sum of £22m was withdrawn from the Oldfields Street global equities mandate and transferred to Cash.

D Meeting of Pension Board on 20 June 2017

9. The Pension Board met at 2.00 on 20 June with the following agenda:

- Local Pension Board Survey
- Performance Monitoring of Pensions Administration Service
- Draft Annual Report and Financial Statements for the Year Ended 31 March 2017
- Pension Fund Committee Meetings on 7 March 2017 and 10 May 2017
- Annual Review of Internal Controls at Longview Partners
- Pension Fund Risk Register
- Work Programme 2017-18

10. Any matters raised by the Board will be reported verbally

Financial Implications

11. 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

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

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 there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Name:	Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date:	13 June 2017		
Name:	Noopur Talwar	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date:	19 June 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

31 March 2017 and 31 May 2017

Asset Class	Value 31.03.2017 £'000	Value 31.05.2017 £'000	Movement YTD (Mar to May17)	Allocation 31.05.2017 %	Strategic Allocation %	Strategic Range %
Global Equities						
Longview (Hedged)	86,214	87,933	1.99%	11	11	
State Street	267,791	269,487	0.63%	33	31	
GMO	94,156	94,752	0.63%	11	10	
Oldfields	83,455	81,301	-2.58%	10	10	
Total Global Equities	<u>531,616</u>	<u>533,473</u>				
Total Equities	<u>531,616</u>	<u>533,473</u>	0.35%	<u>65</u>	<u>62</u>	<u>58-68</u>
Private Equity						
Pantheon	<u>19,341</u>	<u>19,341</u>	0.00%			
Total Private Equity	<u>19,341</u>	<u>19,341</u>		<u>2</u>	<u>5</u>	<u>4-6</u>
Property						
Aviva	<u>64,409</u>	<u>64,581</u>	0.27%			
Total - property	<u>64,409</u>	<u>64,581</u>		<u>8</u>	<u>10</u>	<u>8-12</u>
Bonds						
Blackrock - FI	80,804	82,335	1.89%	10	10	10
Blackrock - IL	20,079	20,336	1.28%	3	3	3
Total Bonds	<u>100,883</u>	<u>102,671</u>	1.77%	<u>13</u>	<u>13</u>	<u>11-15</u>
Alternatives						
Insight	29,096	29,768	2.31%	4	5	5
Standard Life	<u>29,324</u>	<u>29,695</u>	1.27%	<u>4</u>	<u>5</u>	<u>5</u>
Total Alternatives	<u>58,420</u>	<u>59,463</u>	1.79%	<u>8</u>	<u>10</u>	<u>8-12</u>
Cash & NCA						
Cash Managers	52	764				
Cash NatWest	30,901	30,776				
Record passive currency hedge	-241	3,300				
Cash Custodian (JP Morgan)	12	6				
Debtors and Creditors	1,033	1,880				
CIV Investment	<u>150</u>	<u>150</u>				
Total Net Current Assets	<u>31,907</u>	<u>36,876</u>		<u>4</u>	<u>0</u>	
Total Assets	<u>806,576</u>	<u>816,405</u>	1.22%	<u>100</u>	<u>100</u>	