

## **REPORT FOR: Pension Fund Committee**

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<b>Date of Meeting:</b>	18 September 2017
<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 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 30 June 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.

#### **11 October 2017 – “Meet the Managers”**

**(manager list to be confirmed)**

#### **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
- Pooling and London Collective Investment Vehicle

Review of investment manager contract

Investment Strategy Review

Investment manager monitoring

Quarterly trigger monitoring

Environmental, social and governance Issues

Annual Report and Financial Statements

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 Period Ended 30 June 2017 and 31 July 2017**

5. Attached is a table summarising the Fund valuation at 30 June 2017 and 31 July 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 performance report from PIRC 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 June 2017 the value of the Fund had increased further to £828m.
8. On 28<sup>th</sup> June the Committee agreed revisions to the investment strategy which included reducing the strategic asset allocation to global equities to 42% and to emerging market equities on a pro rata basis. The re-allocations are being made on a phased basis.

### **D Meeting of Pension Board on 12 September 2017**

9. The Pension Board meets at 2.00 on 12 September with the following agenda:
  - Information Report - Annual Review of Internal Controls at Insight Investments
  - Information Report - Knowledge and Understanding of Local Government Pension Scheme

- Information Report - London Borough of Harrow Pension Board: Draft Annual Report to Council
- London Collective Investment Vehicle Update
- Environmental, Social and Governance Issues - Approach of the London Collective Investment Vehicle
- Information Report - Pension Fund Committee Meeting on 28 June 2017
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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: 6 September 2017		
Name: Noopur Talwar	<input checked="" type="checkbox"/>	On Behalf of Monitoring Officer
Date: 7 September 2017		

**Ward Councillors notified:**

**Not applicable**

## **Section 4 - Contact Details**

**Contact:** Iain Millar, Treasury and Pensions Manager 0208  
424 1432

**Background Papers - None**

## Fund Valuation and Performance

30 June 2017 and 31 July 2017

Asset Class	Value 31.03.2017 £'000	Value 30.06.2017 £'000	Value 31.07.2017 £'000	Movement YTD (Mar to Jul17)	Allocation 31.07.2017 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>							
Longview (Hedged)	86,214	89,140	89,384	3.68%	11		
State Street	267,791	269,022	272,387	1.72%	33		
GMO	94,156	96,292	98,298	4.40%	12		
Oldfields	83,455	81,258	81,723	-2.08%	10		
<b>Total Global Equities</b>	<u>531,616</u>	<u>535,711</u>	<u>541,791</u>				
<b>Total Equities</b>	<u>531,616</u>	<u>535,711</u>	<u>541,791</u>	1.91%	<u>66</u>	<u>50</u>	<u>TBC</u>
<b>Private Equity</b>							
Pantheon	19,341	17,902	17,902	-7.44%			
<b>Total Private Equity</b>	<u>19,341</u>	<u>17,902</u>	<u>17,902</u>		<u>2</u>	<u>5</u>	<u>4-6</u>
<b>Property</b>							
Aviva	64,409	65,150	65,155	1.16%			
<b>Total - property</b>	<u>64,409</u>	<u>65,150</u>	<u>65,155</u>		<u>8</u>	<u>10</u>	<u>8-12</u>
<b>Bonds</b>							
Blackrock - FI	80,804	80,703	80,812	0.01%	10	10	10
Blackrock - IL	20,079	20,261	20,001	-0.39%	2	3	3
<b>Total Bonds</b>	<u>100,883</u>	<u>100,964</u>	<u>100,813</u>	-0.07%	<u>12</u>	<u>13</u>	<u>11-15</u>
<b>Alternatives</b>							
Insight	29,096	29,533	29,820	2.49%	4		
Standard Life	29,324	29,623	29,781	1.56%	4		
<b>Total Alternatives</b>	<u>58,420</u>	<u>59,156</u>	<u>59,602</u>	2.02%	<u>8</u>	<u>22</u>	<u>TBC</u>
<b>Cash &amp; NCA</b>							
Cash Managers	52	52	781				
Cash NatWest	30,901	33,341	34,172				
Record passive currency hedge	-241	3,632	2,238				
Cash Custodian (JP Morgan)	12	6	1,645				
Debtors and Creditors	1,033	1,880	1,880				
CIV Investment	150	150	150				
<b>Total Net Current Assets</b>	<u>31,907</u>	<u>39,060</u>	<u>40,865</u>		<u>5</u>	<u>0</u>	
<b>Total Assets</b>	<u>806,576</u>	<u>817,944</u>	<u>826,128</u>	2.42%	<u>100</u>	<u>100</u>	