

REPORT FOR: Pension Fund Committee

Date of Meeting:	7 March 2018
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 January 2018 (Sub-section C)
 - Issues raised by Pension Board (Sub-section D)

B Draft Work Programme 2018-19

2. Below is a draft for the Committee to consider as its programme of work for 2018-19.

27 June 2018

Update on regular items:

- Draft work programme for 2018-19
- Performance of fund managers for periods ended 31 March 2018
- Issues raised by Pension Board
- Emerging risks

Investment Strategy Review

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Draft Annual Report and Financial Statements 2017-18

Performance Review 2017-18

Quarterly trigger monitoring

Investment review update

Medium term cashflow

Monitoring of operational controls at Longview and Insight

Review of Investment Consultancy contract

Training programme

Environmental, social and governance issues including Stewardship Code

Training session at 5.30 – (Introduction)-

12 September 2018

Update on regular items:

- Draft work programme for 2018-19
- Performance of fund managers for periods ended 30 June 2018
- Issues raised by Pension Board
- Emerging Risks

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Audited Annual Report and Financial Statements 2017-18

Management expenses

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

September 2018 – “Meet the Managers”

27 November 2018

Update on regular items:

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

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

12 March 2019

Update on regular items:

- Draft work programme for 2019-20
- Performance of fund managers for periods ended 31 December 2018
- Issues raised by Pension Board
- Emerging risks

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Monitoring of operational controls at managers

External Audit plan

Training programme 2019-20

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 31 December 2017 to 31 January 2018

5. Attached is a table summarising the Fund valuation from 31 December 2017 to 31 January 2018 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 there from will be available at future committee meetings.

7. On 28th June 2017 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 and recommendations are set out in the exempt report Equity and Diversified Growth Recommendation.
8. On 5th November 2017, the Committee agreed an immediate fund rebalancing exercise to reduce the equity weighting of the fund assets to 50%. The asset re-allocation required an equity reduction of £107m and a transfer of £25m cash. This transfer resulted in an increase in Diversified Growth Fund manager's holdings to 22% of fund assets, (the target allocation). In total £132m was transferred to Insight and Standard Life. (£65m was taken from State Street, £25m from GMO and £17m from Oldfields). The transition was completed by 12th December 2017.
9. The value of the Fund at the end of March 2017 had increased over the year from £661m to £807m (22%). As at 31 December 2017 the market value of the Fund had increased to £872m. By 31 January 2018 the market value of the fund was £881m

D Meeting of Pension Board on 8 November 2017

10. The Pension Board met at 2.00 on 8 November with the following agenda:
 - Information Report - London Borough of Harrow Pension Board: Revised Annual Report to Council
 - Information Report - Pension Fund Committee Meeting on 12 September 2017.
 - Pension Administration Performance Report to 30 September 2017
11. 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: 22 February 2018		
Name: Linda Cohen	<input checked="" type="checkbox"/>	On Behalf of Monitoring Officer
Date: 23 February 2018		

Ward Councillors notified:	Not applicable
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Section 4 - Contact Details

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

Background Papers - None

Fund Valuation and Performance

31st December 2017 and 31st January 2018

Asset Class	Value 31.03.2017 £'000	Value 31.12.2017 £'000	Value 31.01.2018 £'000	Allocation 31.01.2018 %	Strategic Allocation %	Strategic Range %
Global Equities						
Longview (Aug17 with CIV Unhedged)	86,214	93,888	95,066	11	10	
State Street	267,791	221,962	223,016	25	24	
GMO	94,156	81,108	82,277	9	8	
Oldfields	83,455	69,602	68,691	8	8	
Total Global Equities	<u>531,616</u>	<u>466,561</u>	<u>469,051</u>			
Total Equities	<u>531,616</u>	<u>466,561</u>	<u>469,051</u>	<u>52</u>	<u>50</u>	<u>45-55</u>
Private Equity						
Pantheon	19,341	17,710	17,710			
Total Private Equity	<u>19,341</u>	<u>17,710</u>	<u>17,710</u>	<u>2</u>	<u>5</u>	<u>4-6</u>
Property						
Aviva	64,409	67,214	67,288			
Total - property	<u>64,409</u>	<u>67,214</u>	<u>67,288</u>	<u>8</u>	<u>10</u>	<u>8-12</u>
Bonds						
Blackrock - FI	80,804	83,030	81,755	10	10	
Blackrock - IL	20,079	21,045	20,543	2	3	
Total Bonds	<u>100,883</u>	<u>104,074</u>	<u>102,298</u>	<u>12</u>	<u>13</u>	<u>11-15</u>
Alternatives						
Insight	29,096	96,974	98,047	11	11	
Standard Life	29,324	97,442	98,481	11	11	
Total Alternatives	<u>58,420</u>	<u>194,416</u>	<u>196,529</u>	<u>22</u>	<u>22</u>	<u>20-24</u>
Cash & NCA						
Cash Managers	52	52	772			
Cash NatWest	30,901	11,873	11,635			
Record passive currency hedge	-241	3,146	7,818			
Cash Custodian (JP Morgan)	12	4,999	6,439			
Debtors and Creditors	1,033	1,717	1,917			
CIV Investment	150	150	150			
Total Net Current Assets	<u>31,907</u>	<u>21,937</u>	<u>28,730</u>	<u>3</u>	<u>0</u>	
Total Assets	<u>806,576</u>	<u>871,912</u>	<u>881,605</u>	<u>100</u>	<u>100</u>	