

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

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<b>Date of Meeting:</b>	27 June 2018
<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 2019 be agreed.

## **Section 2 – Report**

### **A Introduction**

1. This report updates the Committee on regular items as follows:
  - Draft work programme for 2018-19 (Sub-section B)
  - Performance of fund managers for periods ended 31 March 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 manager monitoring  
Pooling and London Collective Investment Vehicle  
Draft Annual Report and Financial Statements 2017-18  
Performance Review 2017-18 –PIRC Report  
Quarterly trigger monitoring  
Investment review update  
Monitoring of operational controls at Insight  
Training programme

Training session at 5.30 –Presentation from Fund Actuary –Hymans Robertson.

#### **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  
Appointment to Investment Consultancy contract  
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 31.12.18
- 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 March 2018**

5. Attached is a table summarising the Fund valuation from 31 March 2018 to 30 April 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 28<sup>th</sup> 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 5<sup>th</sup> 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 12<sup>th</sup> December 2017.
9. There was a bulk transfer following the merger of Harrow College with Uxbridge College. The assets of Harrow College as at the calculated transfer date were are £30.4 million. The transfer was part-funded from £15 million cash and the balance from a drawdown from fund managers in March 2018. All of Harrow College's liabilities are passed to the LB Hillingdon Pension Fund.
10. The value of the Fund at the end of March 2017 had increased over the year from £661m to £807m. As at 31 March 2018 the market value of the Fund had increased to £816m. By 30<sup>th</sup> April 2018 the market value of the fund was £827m.

#### **D Meeting of Pension Board on 14 June 2018**

11. The Pension Board met at 2.00 on 14 June 2016 with the following agenda:
  - Pension Administration Performance Report to 31 March 2018
  - Pension Board Work Programme, Three Year Review of Pension Board.
12. 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  Director of Finance

Date: 14 June 2018

**Ward Councillors notified:** Not applicable

## **Section 4 - Contact Details**

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

**Background Papers - None**

## Appendix 1

## Fund Valuation and Performance

31st March and 30th April 2018

Asset Class	Value 31.03.2017 £'000	Value 31.03.2018 £'000	Value 30.04.2018 £'000	Allocation 30.04.2018 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>						
Longview (Aug17 with CIV Unhedged)	86,214	90,034	93,004	11	10	
State Street	267,791	196,717	202,455	24	24	
GMO	94,156	77,181	77,177	9	8	
Oldfields	83,455	66,236	69,924	8	8	
Record passive currency hedge	-241	5,865	347	N/A	N/A	
<b>Total Global Equities</b>	<b>531,375</b>	<b>436,033</b>	<b>442,908</b>			
<b>Total Equities</b>	<b>531,375</b>	<b>436,033</b>	<b>442,908</b>	<b>53</b>	<b>50</b>	<b>45-55</b>
<b>Private Equity</b>						
Pantheon	19,341	13,844	13,844			
<b>Total Private Equity</b>	<b>19,341</b>	<b>13,844</b>	<b>13,844</b>	<b>2</b>	<b>5</b>	<b>4-6</b>
<b>Property</b>						
Aviva	64,409	67,656	67,749			
<b>Total - property</b>	<b>64,409</b>	<b>67,656</b>	<b>67,749</b>	<b>8</b>	<b>10</b>	<b>8-12</b>
<b>Bonds</b>						
Blackrock - FI	80,804	81,651	80,645	11	10	
Blackrock - IL	20,079	20,794	20,094	2	3	
<b>Total Bonds</b>	<b>100,883</b>	<b>102,445</b>	<b>100,739</b>	<b>12</b>	<b>13</b>	<b>11-15</b>
<b>Alternatives</b>						
Insight	29,096	93,978	95,376	12	11	
Standard Life	29,324	95,601	95,213	12	11	
<b>Total Alternatives</b>	<b>58,420</b>	<b>189,579</b>	<b>190,589</b>	<b>23</b>	<b>22</b>	<b>20-24</b>
<b>Cash &amp; NCA</b>						
Cash Managers	52	53	749			
Cash NatWest	30,901	3,205	7,159			
Cash Custodian (JP Morgan)	12	1,438	1,157			
Debtors and Creditors	1,033	1,728	2,276			
CIV Investment	150	150	150			
<b>Total Net Current Assets</b>	<b>32,148</b>	<b>6,574</b>	<b>11,491</b>	<b>1</b>	<b>0</b>	
<b>Total Assets</b>	<b>806,576</b>	<b>816,131</b>	<b>827,320</b>	<b>100</b>	<b>100</b>	

(As SOA 16/17)

(As SOA 17/18)