

REPORT FOR: Pension Fund Committee

Date of Meeting:	27 November 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 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 30 September 2018 (Sub-section C)
 - Issues raised by Pension Board (Sub-section D)

B Draft Work Programme 2018-19

November 2018 – “Meet the Managers” – date to be confirmed

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 update

Quarterly trigger monitoring

Review of Risk Register

Investment review update

Investment Consultancy contract appointment update

Environmental, social and governance Issues

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

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

2. 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.
3. 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 September 2018

4. Attached is a table summarising the Fund valuation from 1st July 2018 to 30 September 2018 and movement in the fund valuation for the year to date.
5. 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.
6. 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.
7. 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.
8. On 27th June 2018 the Pension Fund Committee agreed to move the passive equity funds held with State Street Global Advisors Ltd (SSAG) to Blackrock one of the London CIV preferred providers. £218.3m was transitioned from SSGA to Blackrock in September 2018.
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 £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 31st March 2018 had increased over the year to £816m (£807m as at 31 March 2017). . By 30th September 2018 the market value of the fund was £850m and by 31st October 2018 the value of the fund had dropped to £824m. (see Appendix 1).

D Meetings of Pension Board

11. Pension Board met on 30 October 2018 and received a presentation from an officer from the Pension Regulator. Pension Board reviewed the funds breaches policy and received confirmation that there had been no reported breaches of law in the previous quarter

Financial Implications

12. 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

13. The Pension Fund has a risk register which includes all the risks identified which could affect the management of the Pension Fund. There are no new emerging risks to report

Equalities implications

14. There are no direct equalities implications arising from this report.

Council Priorities

15. 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 November 2018

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

30th September & 31st October 2018

Asset Class	Value 31.03.2018 £'000	Value 30.09.2018 £'000	Value 31.10.2018 £'000	Allocation 31.10.2018 %	Strategic Allocation %	Strategic Range %
Global Equities						
Longview (Aug17 with CIV Unhedged)	90,034	106,376	101,886	12	10	
State Street	196,717	0	0	0	0	
Blackrock	0	220,961	208,662	25	24	
GMO	77,181	71,607	67,849	8	8	
Oldfields	66,236	71,982	70,572	9	8	
Record passive currency hedge	5,865	-5,281	-3,635	N/A	N/A	
Total Global Equities	<u>436,033</u>	<u>465,644</u>	<u>445,335</u>			
Total Equities	<u>436,033</u>	<u>465,644</u>	<u>445,335</u>	<u>54</u>	<u>50</u>	<u>45-55</u>
Private Equity						
Pantheon	13,844	14,322	14,322			
Total Private Equity	<u>13,844</u>	<u>14,322</u>	<u>14,322</u>	<u>2</u>	<u>5</u>	<u>4-6</u>
Property						
Aviva	67,656	68,793	68,920			
Total - property	<u>67,656</u>	<u>68,793</u>	<u>68,920</u>	<u>8</u>	<u>10</u>	<u>8-12</u>
Bonds						
Blackrock - FI	81,651	80,832	80,491	11	10	
Blackrock - IL	20,794	20,288	20,877	3	3	
Total Bonds	<u>102,445</u>	<u>101,120</u>	<u>101,368</u>	<u>13</u>	<u>13</u>	<u>11-15</u>
Alternatives						
Insight	93,978	95,738	92,923	11	11	
Standard Life	95,601	93,554	91,405	11	11	
Total Alternatives	<u>189,579</u>	<u>189,292</u>	<u>184,328</u>	<u>22</u>	<u>22</u>	<u>20-24</u>
Cash & NCA						
Cash Managers	53	757	763			
Cash NatWest	3,205	8,281	6,345			
Cash Custodian (JP Morgan)	1,438	3	3			
Debtors and Creditors	1,728	1,973	1,973			
CIV Investment	150	150	150			
Total Net Current Assets	<u>6,574</u>	<u>11,164</u>	<u>9,234</u>	<u>1</u>	<u>0</u>	
Total Assets	<u>816,131</u>	<u>850,335</u>	<u>823,507</u>	<u>100</u>	<u>100</u>	