

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

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<b>Date of Meeting:</b>	12 March 2019
<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 2020 be agreed.

## **Section 2 – Report**

### **A Introduction**

1. This report updates the Committee on regular items as follows:
  - Draft work programme for 2019-20 (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 2019-20**

#### **6 June 2019**

Update on regular items:

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

Investment Strategy Review: Investment Strategy Statement update

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Draft Annual Report and Financial Statements 2018-2019

Performance Review 2018-19

Quarterly trigger monitoring

Investment review update

Medium term cash flow

Monitoring of operational controls

Review of Investment Adviser contract

Training programme

Environmental, social and governance issues

Training session at 5.30 – (Introduction)-

#### **26 September 2019**

Update on regular items:

- Draft work programme for 2019-20
- Performance of fund managers for periods ended 30 June 2019
- Issues raised by Pension Board
- Emerging Risks

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Actuarial Valuation 2019 Update report

Audited Annual Report and Financial Statements 2018-19

Management expenses

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

## **September/October 2019 – “Meet the Managers”**

### **13 November 2019**

Update on regular items:

- Draft work programme for 2019-20 and 2020-21
- Performance of fund managers for periods ended 30 September 2019
- Issues raised by Pension Board
- Emerging risks

Investment manager monitoring

Actuarial Valuation 2019 Update report

Pooling and London Collective Investment Vehicle

Quarterly trigger monitoring

Environmental, social and governance Issues

Training session at 5.30 – tbc

### **18 March 2020**

Update on regular items:

- Draft work programme for 2020-21
- Performance of fund managers for periods ended 31 December 2019
- Issues raised by Pension Board
- Emerging risks

Actuarial Valuation 2019 Final Report

Investment manager monitoring

Pooling and London Collective Investment Vehicle

Monitoring of operational controls at managers

External Audit plan 2019-20

Training programme 2020-21

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 31 December 2018**

4. Attached is a table summarising the Fund valuation from 1<sup>st</sup> October 2018 to 31 December 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 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.
7. 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.
8. On 27<sup>th</sup> 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 31<sup>st</sup> October 2018 the value of the fund had dropped to £824m. The fund value fell to £800m by 31 December 2018 and rose to £830m by 31 January 2019. (see Appendix 1).

#### **D Meetings of Pension Board**

11. Pension Board met on December 2018 and received confirmation that there had been no reported breaches of law in the previous quarter. They received reports on fund administration performance to 30 September 2019

## Financial Implications

12. There are several matters mentioned in this report, particularly asset allocation and manager performance which has 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: 27 February 2019

**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

31st December &amp; 31st January 2019

Asset Class	Value 31.03.2018 £'000	Value 31.12.2018 £'000	Value 31.01.2019 £'000	Allocation 31.01.2019 %	Strategic Allocation %	Strategic Range %
<b>Global Equities</b>						
Longview (Aug17 with CIV Unhedged)	90,034	97,896	101,111	12	10	
State Street	196,717	0	0	0	0	
Blackrock (Oct18 with CIV)	0	197,822	206,971	25	24	
GMO	77,181	68,970	72,249	9	8	
Oldfields	66,236	66,826	70,387	8	8	
Record passive currency hedge	5,865	-5,182	1,562	N/A	N/A	
<b>Total Global Equities</b>	<u>436,033</u>	<u>426,332</u>	<u>452,280</u>			
<b>Total Equities</b>	<u>436,033</u>	<u>426,332</u>	<u>452,280</u>	<u>55</u>	<u>50</u>	<u>45-55</u>
<b>Private Equity</b>						
Pantheon	13,844	13,260	13,260			
<b>Total Private Equity</b>	<u>13,844</u>	<u>13,260</u>	<u>13,260</u>	<u>2</u>	<u>5</u>	<u>0-6</u>
<b>Property</b>						
Aviva	67,656	69,000	68,902			
<b>Total - property</b>	<u>67,656</u>	<u>69,000</u>	<u>68,902</u>	<u>8</u>	<u>10</u>	<u>8-12</u>
<b>Bonds</b>						
Blackrock - FI	81,651	80,423	82,260	11	10	
Blackrock - IL	20,794	20,579	20,784	3	3	
<b>Total Bonds</b>	<u>102,445</u>	<u>101,002</u>	<u>103,044</u>	<u>13</u>	<u>13</u>	<u>11-15</u>
<b>Alternatives</b>						
Insight	93,978	91,669	94,065	11	11	
Standard Life	95,601	91,637	93,082	11	11	
<b>Total Alternatives</b>	<u>189,579</u>	<u>183,306</u>	<u>187,147</u>	<u>23</u>	<u>22</u>	<u>20-24</u>
<b>Cash &amp; NCA</b>						
Cash Managers	53	44	788			
Cash NatWest	3,205	2,508	1,974			
Cash Custodian (JP Morgan)	1,438	2,341	1			
Debtors and Creditors	1,728	1,806	1,731			
CIV Investment	150	150	150			
<b>Total Net Current Assets</b>	<u>6,574</u>	<u>6,850</u>	<u>4,644</u>	<u>1</u>	<u>0</u>	
<b>Total Assets</b>	<u>816,131</u>	<u>799,750</u>	<u>829,278</u>	<u>100</u>	<u>100</u>	