

**Report for: Pension Fund
Committee**

Date of Meeting: 25 November 2020

Subject: Performance Dashboard and Update on Regular Items

Responsible Officer: Dawn Calvert – Director of Finance and Assurance

Exempt: No - except for Appendix 3 and Appendix 4 which are Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

Wards affected: All

Enclosures: Appendix 1: Investment Dashboard as at 30 September 2020 (Aon)
Appendix 2: PIRC Local Authority Pension Performance Indicators to 30 September 2020
(Exempt) Appendix 3 Manager Monitoring Report - Executive Summary (Aon)
(Exempt) Appendix 4 - Report from Independent Advisor
Appendix 5 – Fund Value as at 30 September 2020

Section 1 – Summary and Recommendations

This report updates the Committee on regular items as follows:

- Draft work programme on which the Committee's comments and agreement are requested.
- It includes the investment and management performance dashboard report summarising key fund performance and risk indicators and PIRC Performance Indicators
- Fund performance to 30th September 2020
- Update on Pension Board

Recommendations:

The Committee is requested to review and to comment as necessary on the performance and investment dashboard report, and to indicate its priorities for the training session to take place before the next meeting.

Section 2 – Report

A. Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2020-21 (Sub-section B)
 - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
 - Fund Performance and actions for periods ended 30 September 2020 (Sub-section D) and Appendix 5
 - Issues raised by Pension Board (Sub-section E)

B Draft Work Programme 2020-21

24 March 2021

Update on regular items:

- Draft work programme for 2021-22
- Performance Dashboard 31 December 2020
- Issues raised by Pension Board
- Emerging risks

Investment Strategy Review next steps

Pooling and London Collective Investment Vehicle

Monitoring of operational controls at managers

External Audit plan 2020-21

Training programme 2021-22

Environmental, social and governance Issues

Training session at 5.30 – tbc

2. In addition to the Committee's work programme, training opportunities will be offered for an hour prior to each meeting. Pension Board members will be invited to join training sessions once these have been arranged

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. In particular, it would be helpful if members indicated any priorities for the training session.
4. Whilst the Committee's dates for 2021-22 have yet to be agreed, it is anticipated that four meetings will be held, in late June, September, late November or early December 2021, and in March 2022.

C Summary Performance Dashboard for Period Ended 30 September 2020

5. Attached as Appendix 1 is a summary investment performance dashboard produced by Aon. It is designed to provide summary reporting and to streamline the performance reports presented to committee.
6. The investment dashboard shows the Pension Fund's estimated Investment Funding Level of 89% as at 30 September 2020 and the fund assets (£891m) and liabilities (£998m). This estimate of liabilities is a rolled forward projection based on the 2019 actuarial valuation, the results of which were reported to the Committee in December 2019.
7. The estimated funding level has declined since triennial valuation, reflecting the increase in the value of the Fund's liabilities in the light of forecast yields on investments, although the position has improved in the most recent quarter. No de-risking actions are recommended at the current time.
8. The Fund subscribes to the performance data service provided by Pension and Investment Consultants Limited (PIRC) The PIRC performance report is attached as Appendix 2 to this report. The dashboard summarises quarter, 1-year and 3-year performance all of which are below the fund benchmark.
9. The Dashboard includes a summary of asset allocation relative to the strategic benchmark. It also shows the current allocation made to the London CIV or under fee arrangements negotiated by the CIV (47%). and a summary of manager performance and manager rating.
10. Appendix 3 Manager Monitoring Report - Executive Summary reports on managers who have received the Aon "qualified" or "in review" rating. This is summarised on the dashboard 'Manager in Focus' section. Please note that all of the Fund's equity managers, plus LaSalle are covered in more detail in the report on the Investment Strategy Review. Appendix 4 sets out the comments of one of the Fund's Independent Advisors in respect of the various managers' performance and other related information These appendices are exempt, so any discussion of the detail therein will need to be undertaken in Part II of the meeting.

D Fund Performance and Valuation for Period Ended 30 September 2020

11. Appendix 5 sets out the change in the market value of the Fund's investments from 31st March 2020 to 30 September 2020. The table has

been re-ordered to align the various investments with the three high-level “bucket” groupings approved under the investment Strategy Review – Equities, Diversifying Return Assets and Risk Control Assets. The value of the Fund at the 30th September 2020 had increased over the quarter to £890.9m (from £871.8m as at 30 June 2020). As noted previously, the 31 March 2020 valuation of £778.0m reflected a low point at what was the height of the initial “lockdowns” globally arising from the Covid-19 pandemic. The impact of the “second wave”, including the recent re-introduction of additional restrictions in the UK and other European countries, meant that during the second half of October there was an increase in market volatility, and this is continuing during November.

12. Work to finalise the value of the Fund’s investments at 31 October 2020 is ongoing. This will be reported to the meeting if available or circulated to Committee members as soon as it becomes available thereafter.
13. During October, approximately £1.8m was invested in the London CIV Infrastructure Fund – this was funded from cash balances. Progress with this investment is in line with the planned drawdown of the Fund’s commitments.

E Meetings of Pension Board

14. Pension Board met on 17 September 2020 and received confirmation that there had been no reported breaches of law in the previous quarter. As well as reviewing the items considered by this Committee, they received reports on fund administration performance to 30 June 2020 and on proposals to encourage recruitment to the two vacancies on the Board.
15. Following that meeting there was a suitable applicant for the scheme member vacancy, and accordingly the Council will be asked to confirm that person’s appointment to the Board at its meeting on 26 November 2020. Unfortunately, no nominations were received in respect of the vacancy for an employer representative (other than Harrow Council) and for an employee scheme member. The Board’s next meeting is on 2 December 2020.

Legal Implications

15. There are no legal implications arising from this report.

Financial Implications

16. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no financial implications arising from this report.

Risk Management Implications

17. The Pension Fund has a risk register which includes all the risks identified which could affect the management of the Fund. The register is reviewed elsewhere on this agenda.

Equalities implications / Public Sector Equality Duty

18. Was an Equality Impact Assessment carried out? No
There are no direct equalities implications arising from this report.

Council Priorities

19. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed on by the Chief Financial Officer

Date: 16 November 2020

Statutory Officer: David Hodge

Signed on behalf of the Monitoring Officer

Date: 16 November 2020

Statutory Officer: Charlie Stewart

Signed by the Corporate Director

Date: 16 November 2020

Mandatory Checks

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Consultant

Email: Jeremy.randall@harrow.gov.uk

Background Papers: None