

## **Report for: Pension Board**

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<b>Date of Meeting:</b>	2 December 2020
<b>Subject:</b>	Pension Fund Performance Management Arrangements with PIRC
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – PIRC – Harrow comparative report 2019-20 Appendix 2 – PIRC – Comparative analysis of the London Pension Funds Appendix 3 – Detailed Harrow Performance Report for quarter to 30 September 2020

### **Section 1 – Summary and Recommendations**

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This report sets out the arrangements for the Performance Management of the Pension Fund provided by PIRC.

#### **Recommendations:**

The Board is requested to note the report and comment as necessary

### **Section 2 – Report**

1. The Pension Fund's liabilities (the pensions due to scheme members) will fall due at various times in the future – in the case of younger, active members this could be 50 to 60 years or more in the future. The Fund's key strategic long term objective is to ensure that it has sufficient assets available to meet all of those pension liabilities as and

when they fall due. To achieve this, with the help and advice of its Investment Consultants, Aon, the Fund sets an Investment Strategy, under which it allocates assets across a diverse range of investments designed to deliver the required return whilst simultaneously managing risk and volatility.

2. The implementation of the Investment Strategy means that the Fund's assets (valued at £891m at 30 September 2020) are managed by a series of specialist investment managers in a range of types and categories of investments. Each investment has a target return against which the manager's performance is monitored.
3. From the above, it is clear that performance monitoring information is critical in ensuring the achievement of the Funding Strategy objectives.
4. Many LGPS funds use the accounting and performance monitoring services provided by a global custodian to provide their performance information. Often those Funds will have at least some of their equity investments in segregated mandates (this means the manager buys and sells specific stocks on behalf of the Fund, and these are held in a separate account), and hence require the services of the Custodian for that purpose. In such cases, the Funds purchase the accounting and performance management services as an additional service. The Funds will in turn need to provide valuation and transaction information (investment or redemption dates / amounts) at the end of each quarter in respect of any assets they may hold in pooled funds, and the custodian will consolidate those into the performance information it provides to the Fund.
5. Harrow's position is slightly different. All its investments are held in pooled funds – this means that each manager holds the assets (stocks, bonds etc) within its pooled fund, and the Harrow Pension Fund in turn owns units in those funds. This arrangement means that Harrow has not required the services of a global custodian to keep its individual shareholdings secure, as in each case the Fund manager incurs that cost within the pooled fund.
6. Therefore, to obtain performance monitoring information, Harrow has made alternative arrangements. It purchases this service from Pension and Investment Research Consultants (PIRC) Limited. PIRC provides two levels of service for Harrow
  - i. Specific performance measurement information in respect of the Fund's investments at manager level
  - ii. The generic "LA Universe" comparative data for LGPS Funds.
7. The LA Universe was until 2016 collated by Statestreet. When Statestreet decided to withdraw from providing that service, PIRC began to offer the service, and acquired the historic data. The service provides comparative data from 63 of the LGPS Funds and enables participants to measure their relative performance against other Funds. These reports are produced annually. The report comparing the Harrow Fund's performance to the LA Universe for 2019-20 is attached at Appendix 1.

8. PIRC also provide comparative data for groups of similar funds – for example the London Boroughs LGPS funds, which tend to be more comparable with Harrow than some of the larger, county or metropolitan areas' funds. These reports are again produced annually. The report comparing the London Funds' performance in 2019-20 is attached at appendix 2.
9. In reviewing appendixes 1 and 2, the Board should note that different funds may not be totally comparable – for example some funds will have had a lower level of equity investments because of their funding levels at the previous triennial valuation, or because their relative maturity means that they need cash from their investment returns to address negative cash flows. Nevertheless, the reports highlight that the Harrow Fund's recent performance against its peer group has been poor.
10. As indicated above, Harrow also uses PIRC to calculate manager performance data and to analyse this on a quarterly basis. To achieve this, Harrow completes a template each quarter showing Fund valuations at the start / end of the quarter, plus investments / redemptions (with dates) in the quarter. These quarterly reports are submitted to the Pension Fund Committee. The most recent report, 30 September 2020, is attached at appendix 3.
11. There have been a number of concerns regarding the accuracy and presentation of data in PIRC's analysis in previous periods, and officers are continuing to work with PIRC and with the Fund's independent advisors to improve the quality of the reports.

## **Legal Implications**

12. There are no direct legal implications arising from this report.

## **Financial Implications**

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

## **Risk Management Implications**

14. The Pension Fund has a Risk register which is reviewed elsewhere on this agenda.

## **Equalities implications / Public Sector Equality Duty**

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

## **Council Priorities**

16. 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 by the Chief Financial Officer

**Date: 19 November 2020**

**Statutory Officer: David Hodge**

Signed on behalf of the Monitoring Officer

**Date: 18 November 2020**

**Statutory Officer: Charlie Stewart**

Signed by the Corporate Director

**Date: 19 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](mailto:Jeremy.randall@harrow.gov.uk)

**Background Papers:** None