

**Report for: Pension Fund
Committee**

Date of Meeting:	24 March 2021
Subject:	Performance Dashboard and Update on Regular Items
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No - except for Appendix 3 which is 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:	List Ward(s) affected by decision. All
Enclosures:	Appendix 1: Investment Dashboard as at 31 December 2020 (Aon) Appendix 2: PIRC Local Authority Pension Performance Indicators to 31 December 2020 (Exempt) Appendix 3 Manager Monitoring Report - Executive Summary (Aon) (Exempt) Appendix 4 - Report from Independent Advisor Appendix 5 – Fund Value as at 31 December 2020, 31 January 2021 and 28 February 2021

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 31st December 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 on the work programme for the remainder of 2020-21 and for 2021-22.

Section 2 – Report

A. Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2021-22 (Sub-section B)
 - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
 - Fund Performance and actions for periods ended 31 December 2020 (Sub-section D) and Appendix 5
 - Issues raised by Pension Board (Sub-section E)

B Draft Work Programme 2021-22

2. The dates set for future meetings of the Committee in the 2021-22 municipal year are as follows:
 - Thursday 24th June 2021
 - Monday 13th September 2021
 - Wednesday 24th November 2021
 - Wednesday 9th March 2022
3. An outline work programme has been drafted as follows:

24 June 2021

Update on regular items:

- Work programme for 2021-22
- Performance Dashboard 31 March 2021
- Issues raised by Pension Board
- Emerging risks

Investment Strategy Review next steps

Review of Investment Strategy Statement

Monitoring of operational controls at investment managers

External Audit plan 2020-21

Draft Pension Fund Annual Report and Accounts for 2020-21

Good Governance Review Next steps
Review of risk register
Environmental, social and governance Issues
Training session at 5.30 – tbc

13 September 2021

Update on regular items:

- Draft work programme for 2021-22
- Performance Dashboard 30 June 2021
- Issues raised by Pension Board
- Emerging risks

Investment Strategy Review next steps
Pooling and London Collective Investment Vehicle
Monitoring of operational controls at managers
Outcome of Audit of Annual Report and Accounts for 2020-21
Environmental, social and governance Issues
Training session at 5.30 – tbc

24 November 2021

Update on regular items:

- Draft work programme for 2021-22
- Performance Dashboard 30 September 2021
- Issues raised by Pension Board
- Emerging risks

Investment Strategy Review next steps
Preparation for the 2022 Triennial Valuation
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

9 March 2022

Update on regular items:

- Draft work programme for 2021-22 and 2022-23
- Performance Dashboard 31 December 2021
- Issues raised by Pension Board
- Emerging risks

Investment Strategy Review next steps
Pooling and London Collective Investment Vehicle
External Audit plan 2021-22
Training programme 2022-23
Environmental, social and governance Issues
Training session at 5.30 – tbc

4. All of these meetings are currently scheduled to start at 6.30pm. Subject to the Committee's consideration of a separate report on training

elsewhere on this agenda, it is intended that a training session will be held, before each meeting, beginning at beginning at 5.30pm. A separate report on training is included elsewhere on this agenda.

5. 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 addition to the items listed, it will be necessary to review a number of the Fund's policies in the coming year – these will be phased appropriately through the year to facilitate a manageable workload for the Committee.

C Summary Performance Dashboard for Period Ended 31 December 2021

6. 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.
7. The investment dashboard shows the Pension Fund's estimated Investment Funding Level of 95% as at 31 December 2020 and the fund assets (£960m) and liabilities (£1,014m). 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.
8. The estimated funding level has improved slightly since triennial valuation, despite the increase in the value of the Fund's liabilities in the light of forecast yields on investments, because investments have also increased in value in that period. No de-risking actions are recommended at the current time.
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 (48%). and a summary of manager performance and manager rating.
10. 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 the quarter, 1-year, 3-year and 5-year performance. Apart from the latest quarter, the performance in all of these timeframes was below the fund benchmark.
11. 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 there is further comment on some managers, plus LaSalle, 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 31 December 2020

12. Appendix 5 sets out the change in the market value of the Fund's investments from 31st March 2020 to 31st December 2020. The table has been 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 31st December 2020 had increased over the quarter to £959.9m (from £890.9m as at 30th September 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 while this continued, the approval of vaccines and the US Presidential election result had a positive impact on markets during December.
13. Appendix 5 also shows the 31st January and 28th February 2021 valuations. Markets fell back slightly in January, and the Fund's value fell to £947.4m at the end of the month. There was a small net increase to £952.8m at the end of February.
14. During January and February, approximately £6m was invested in the London CIV Infrastructure Fund – this was funded from cash balances. This Fund is now 25% invested, and progress with this investment remains in line with the expected drawdown of the Fund's commitments.
15. As reported in more detail in the Investment Strategy Review item, the Fund's decisions regarding the equity portfolio have been progressed, notably the redemption of investments in Oldfield and their reinvestment in the LCIV Sustainable Equity Fund.

E Meetings of Pension Board

16. Since the Committee's last meeting, the Pension Board has met twice - on 2nd December 2020 and on 4th March 2021. At both meetings it received confirmation that there had been no reported breaches of law in the previous quarter, reviewed the items considered by this Committee, and received reports on fund administration performance for each quarter.
17. At the December meeting, they also received an update on Regulatory Changes, expressing concern about the potential workload which the "McCloud Judgement" could require and about the impact of the "Exit Cap" (see update elsewhere on this agenda), a Review of the Fund's Risk Register, and a report on Performance Management arrangements.
18. At the March meeting they considered the reviews of the Fund's Communications Policy and Governance Compliance Statement, and the Board's comments are reflected in those items which are submitted for approval elsewhere on this agenda. The Board also considered its own training arrangements and approved an initial workplan for 2021-22.
19. The Board's next meeting is on 1st July 2021.

Legal Implications

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

Financial Implications

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

Risk Management Implications

22. The Pension Fund's Risk Register is reviewed regularly by both the Committee and by the Pension Board. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy,

Equalities implications / Public Sector Equality Duty

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

Council Priorities

24. 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: Sharon Daniels

Signed on behalf of the Chief Financial Officer

Date: 11/03/2021

Statutory Officer: David Hodge
Signed on behalf of the Monitoring Officer
Date: 11/03/2021

Chief Officer: Charlie Stewart
Signed by the Corporate Director
Date: 11/03/2021

Mandatory Checks

Ward Councillors notified: NO

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager
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Background Papers: None