

**Report for: Pension Fund  
Committee**

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<b>Date of Meeting:</b>	13 September 2021
<b>Subject:</b>	Performance Dashboard and Update on Regular Items
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No - except for Appendix 3 and 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)
<b>Wards affected:</b>	None
<b>Enclosures:</b>	Appendix 1: Investment Dashboard as at 30 June 2021 (Aon) Appendix 2: PIRC Local Authority Pension Performance Indicators to 30 June 2021 (Exempt) Appendix 3 Manager Monitoring Report - Executive Summary (Aon) (Exempt) Appendix 4 - Report from Independent Advisor Appendix 5 – Fund Value as at 31 July 2021

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

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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 30<sup>th</sup> June 2021
- Update on Pension Board

### **Recommendations:**

The Committee is requested to review and to comment as necessary on the performance and investment dashboard report and approve the draft work programme for the remainder of 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 30 June 2021 (Sub-section D and Appendix 5) and 31 July 2021 (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:
  - Manager Day – Tuesday 2<sup>nd</sup> November 2021
  - Wednesday 24<sup>th</sup> November 2021
  - Wednesday 9<sup>th</sup> March 2022
3. An outline work programme has been drafted as follows:

#### **2<sup>nd</sup> November 2021 – Manager day**

To interview and discuss performance and other related issues with the following managers

- Insight
- Longview
- GMO

Should there be any specific events which make it appropriate to see one of the other managers (e.g. unexpected changes in key personnel) these will be added to the list in consultation with the Chair of the Committee, Aon and the Fund's independent advisors.

## **24<sup>th</sup> 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

Environmental, social and governance issues

Procurement of Independent Advisors

Training session at 5.30 – Hymans Robertson re triennial valuation

## **9<sup>th</sup> March 2022**

Update on regular items:

- Draft work programme for 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

- 2 Apart from the Manager Day, all of these meetings are currently scheduled to start at 6.30pm. It is intended that a training session will be held, before each meeting, beginning at beginning at 5.30pm. Detailed arrangements for the Manager Day will be confirmed shortly.
- 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 addition to the items listed, it is necessary to review some 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 30 June 2021**

- 4 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.
- 5 The investment dashboard shows the Pension Fund's estimated Investment Funding Level of 105% as at 30 June 2021 and the fund assets (£1,015m) and liabilities (£964m). 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.
- 6 The estimated funding level has improved since triennial valuation, despite the increase in the value of the Fund's liabilities (which is partly linked to

the forecast yields on investments), because returns on investments have exceeded expectations in that period. The improvement in the most recent quarter is due to the increase in value of investments during that period.

- 7 However, it should be noted that the 105% funding level relates only to “past service” benefits (i.e. service accrued to date). The Fund will also have to meet liabilities in respect of future service, which will in turn depend on pay levels and other factors. However, taking into account the changes in the forecast growth in liabilities (linked to inflation and pay settlements), and the forecast future return on investments, the probability of the Fund being 100% funded at the end of the agreed deficit recovery period has increased, and the investment return required to achieve this outcome has fallen, both of which are “good news”. No de-risking actions are recommended at the current time.
- 8 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 (58.5%) and a summary of manager performance and manager rating.
- 9 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.
- 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. 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 (3 and 4) 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 June 2021**

- 11 Appendix 5 sets out the change in the market value of the Fund’s investments from 31<sup>st</sup> March 2021 to 30<sup>th</sup> June 2021. 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 30<sup>th</sup> June 2021 had increased over the quarter to £1,015.4m (from £968.0m as at 31<sup>st</sup> March 2021).
- 12 Appendix 5 also shows the 31<sup>st</sup> July 2021 valuation. During July there was a further net increase in the Fund’s value to £1,022.6m. The Fund’s value at 31 August 2021 will not be available for the meeting, but will be circulated to Committee members when it is finalised (later in September).

## **Progress Since the 24 June meeting**

- 13 During July 2021, a further £0.2m was invested in the London CIV Infrastructure Fund – this was funded from cash balances. This Fund is now slightly more than 25% invested, and progress remains in line with the expected drawdown of the Fund's commitments. Two further calls have since been made - £0.5m in August and £1.3m in September 2021.
- 14 Further to the decision made at the Committee's last meeting, documentation was completed and an initial payment of £3.8m was made to the LCIV Renewables Fund on 16<sup>th</sup> July – this was to align Harrow's position with that of the investors who committed to this Fund in March 2021. This was again met from cash balances.
- 15 The changes to the investment mandates and related documents with Blackrock (which were needed to enable the implementation of the Committee's decisions regarding the passive equity and bonds portfolios) have been completed. The transfer of the Fund's passive investments into the Blackrock Low Carbon Fund, and the realignment of its bonds and gilts portfolios will be completed in September 2021.
- 16 LCIV MAC Fund – officers advised the CIV that the Committee's preference was for the "single manager" LCIV Alternative Credit Fund rather than a blended (two manager) approach. The CIV has advised that there is sufficient support to proceed with this option and is now working to launch that fund. It is currently expected that this will be completed either towards the end of 2021 or early in 2022 (depending on the timescale for FCA approval). LCIV has also assured officers that the "blended approach" to the MAC fund will not be implemented until the Alternative Credit Fund is operational, and that the transition will be "in specie" at zero cost.
- 17 LaSalle Property Fund – there have been no developments to report since the last meeting. Should the position change Aon will update the Committee at the meeting.

## **E Meetings of Pension Board**

- 18 At its most recent meeting on 8<sup>th</sup> July 2021, the Pension Board
  - Considered a report on the Pensions Administration performance, noted that a new Pensions Team Leader had been appointed, and recorded its thanks to Lesley Freebody who had recently retired having served the Fund for a number of years in that role.
  - Noted reports on the draft Pension Fund accounts for 2020-21, Managers' Internal Controls and the Pension Fund Risk Register (requesting regular updates on McCloud and the Public Sector Exit Cap)
  - And agreed a work programme for 2021-22.
- 19 A nomination has been received for the vacant Employer Representative (Admitted and Scheduled Bodies). Consequently, it has been recommended to the Council that Dr Simon Radford, a governor of Stanmore College, be appointed to fill the vacancy. The Council will consider the recommendation at its next meeting on 30<sup>th</sup> September 2021.

- 20 The Board's next meeting was originally scheduled for 30<sup>th</sup> September 2021, but this has been moved to 6<sup>th</sup> October 2021 to avoid clashing with the Council meeting.

## **Legal Implications**

- 21 There are no legal implications arising from this report.

## **Financial Implications**

- 22 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**

- 23 Risks included on corporate or directorate risk register? **No**  
Separate risk register in place? **Yes**
- 24 The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review was carried out at the Committee's last meeting on 24<sup>th</sup> June 2021.
- 25 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**

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

## **Council Priorities**

- 27 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: 26/08/2021**

**Statutory Officer: Joane Mohan**

Signed on behalf of the Monitoring Officer

**Date: 31/08/2021**

**Chief Officer: Charlie Stewart**

Signed on behalf of the Corporate Director

**Date: 31/08/2021**

## **Mandatory Checks**

**Ward Councillors notified: Not Applicable**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Jeremy Randall – Interim Pensions Manager

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**Background Papers:** None