

| Report for: | Pension Fund Committee |
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| Date of Meeting: | 24 November 2021 |
| Subject: | Performance Dashboard and Update on Regular Items |
| Responsible Officer: | Dawn Calvert – Director of Finance and Assurance  |
| Exempt: | 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) |
| Wards affected: | List Ward(s) affected by decision.**None** |
| Enclosures: | **Appendix 1: Investment Dashboard as at 30 September 2021 (Aon)****Appendix 2: PIRC Local Authority Pension Performance Indicators to 30 September 2021****(Exempt) Appendix 3 Manager Monitoring Report - Executive Summary (Aon)****(Exempt) Appendix 4 - Report from Independent Advisor****Appendix 5 – Fund Value as at 30 September and 31 October 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 30th September and 31st October 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 September 2021 (Sub-section D and Appendix 5) and 31 October 2021(Appendix 5)
* Issues raised by Pension Board (Sub-section E)

**B Draft Work Programme 2021-22**

1. The dates set for future meetings of the Committee in the 2021-22 municipal year are as follows:
* Wednesday 9th March 2022
1. An outline work programme has been drafted as follows:

**9th March 2022**

Update on regular items:

* Draft work programme for 2022-23
* Performance Dashboard 31 December 2021
* Issues raised by Pension Board

Review of Pension Fund Risk Register and emerging risks

Update and Approval of Fund Policies

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 – subject tbc

1. The remaining meetings is 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 meeting will be confirmed nearer the date.
2. The Committee will have the opportunity to update this programme but are invited to comment on the draft above and agree it at this stage. In addition to the items listed,

**C Summary Performance Dashboard for Period Ended 30 September 2021**

1. 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.
2. The investment dashboard shows the Pension Fund’s estimated Investment Funding Level of 104% as at 30 September 2021 and the fund assets (£1,0209m) and liabilities (£985m). 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.
3. 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.
4. However, it should be noted that the 104% 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.
5. 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 (64.3%) and a summary of manager performance and manager rating.
6. 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.
7. 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 September 2021**

1. Appendix 5 sets out the change in the market value of the Fund’s investments from 31st March 2021 to 30th September 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 30th September 2021 had increased marginally over the quarter to £1,019.9m (from £1,015.4m as at 30th June 2021).

**Progress Since the 13 September meeting**

1. During September and October 2021, a further £5.7m was invested in the London CIV Infrastructure Fund, and £8.5m in the LCIV Renewables Infrastructure Fund. Progress with both Funds continues to be in line with the expected drawdown of each of the Fund’s commitments. These drawdowns were funded partly from cash held, and partly through withdrawals from the Insight Diversified Growth Fund as previously agreed by the Committee.
2. As reported orally at the last meeting, the realignment of the Fund’s passive equity portfolio with Blackrock (the transfer of assets into the Blackrock Low Carbon Fund) was completed in early September 2021. The realignment of the gilts portfolios with Blackrock was also completed in September 2021, and the final tranche of the realignment of corporate bonds – moving £30m to the LCIV Global Bond Fund, was completed in early October 2021.
3. LCIV MAC Fund – since the last meeting, LCIV has confirmed that progress with the launch of the “single manager” LCIV Alternative Credit Fund is on track and it is hoping to complete this by the end of 2021. LCIV has reiterated its previous commitment that the “blended” (two managers) approach to the LCIV MAC fund will not be implemented until the Alternative Credit Fund is operational, and that the transition will be “in specie” at zero cost.
4. LaSalle Property Fund – discussions are continuing, but there have been no developments to report since the last meeting. Should this position change Aon will update the Committee at the meeting.
5. The Fund’s investments increased in value in October – the valuation at 31st October 2021 was £1,038.2m. Details are shown in Appendix 5. The changes in paragraphs 14 and 15 have increased the proportion of assets currently invested and regarded as pooled to 68.5%.

**Manager Day 3 November 2021**

1. Three managers were asked to present to the Committee,
* LCIV Global Equity Focus Fund (Longview)
* Insight (Diversified Growth Fund.
* GMO (Emerging Market Equities)
1. The three managers presented on their respective funds, covering performance, their Investment “process” and approach to ESG matters in particular. The Committee and its advisers asked each manager a number of detailed questions.
2. A number of matters require further consideration, and these are addressed in Part 2 of this agenda. The London CIV will be questioned further regarding the Global Equity Focus Fund, and Aon have carried out some further analysis in respect of emerging market equities.

**E Meetings of Pension Board**

1. At its most recent meeting on 6th October 2021, the Pension Board
* Considered a report on the Pensions Administration performance, including updates on McCloud and noted that recruitment to vacancies had been completed successfully.
* Endorsed the Committee’s proposed approach for review and approval of Fund Policies to meet the requirements of the Good Governance review
* Noted reports on the draft Pension Fund Annual Report for 2020-21 and Investment Pooling,
* And agreed a work programme for the remainder of 2021-22.
1. The appointment of Dr Simon Radford, a governor of Stanmore College, as the Employer Representative (Admitted and Scheduled Bodies) was approved by the Council on 30th September 2021.
2. The Board’s next meeting was originally scheduled for 1st December 2021, but this has been moved to 16th December 2021 at the request of the Chair, to avoid clashing with another meeting.

## Legal Implications

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

## Financial Implications

1. 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

1. Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **Yes**

1. 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 meeting on 24th June 2021.
2. 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

1. Was an Equality Impact Assessment carried out? No

There are no direct equalities implications arising from this report.

## Council Priorities

1. 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: 10/11/2021**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 15/11/2021**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 11/11/2021**

## Mandatory Checks

### Ward Councillors notified: Not Applicable

## Section 4 - Contact Details and Background Papers

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

Email: Jeremy.randall@harrow.gov.uk

Telephone 020 8736 6552

**Background Papers**: None