

**Report for: Pension Fund
Committee**

Date of Meeting:	12 October 2022
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:	None
Enclosures:	Appendix 1: Investment Dashboard as at 30 June 2022 (Aon) Appendix 2: PIRC Local Authority Pension Performance Indicators to 30 June 2022 (Exempt) Appendix 3 Manager Monitoring Report - Executive Summary (Aon) (Exempt) Appendix 4 - Report from Independent Advisor Appendix 5 – Fund Valuation as at 31 July 2022

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 June 2022
- 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 2022-23.

Section 2 – Report

A. Introduction

1. This report updates the Committee on regular items as follows:
 - Draft work programme for 2022-23 (Sub-section B)
 - Investment and Manager Performance Dashboard (Sub-section C) and Appendix 1-4
 - Fund Performance and actions for periods ended 30 June 2022 (Sub-section D and Appendix 5)
 - Issues raised by Pension Board (Sub-section E)
 - Other matters (Sub-Section F)

B Draft Work Programme 2022-23

2. The dates set for future meetings of the Committee in the 2022-23 municipal year have been provisionally set as follows:
 - Wednesday 23 November 2022
 - Wednesday 29 March 2023
3. An outline work programme has been drafted as follows:

Meeting	Item
All Meetings	Regular Items update <ul style="list-style-type: none">- Work Programme- Pension Board Items- Performance- Fund valuation / Dashboard- ESG Dashboard

15 November 2022	External Audit Report on 2021-22 Accounts
	Triennial Valuation – Initial employer results (non LBH employers)
	Funding Strategy Statement Review and approval for consultation with other employers
	Review of Risk Register
22 March 2023	Triennial Valuation – Final report
	Investment Strategy – Next Steps

4. The meetings are currently scheduled to start at 6.30pm. It is intended that a training session will be held before each meeting, beginning at 5.30pm. Detailed arrangements for each meeting will be confirmed nearer the date.
5. 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. The list will be augmented as necessary during the year.

C Summary Performance Dashboard for Period Ended 30 June 2022

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 107% as at 30 June 2022 and the fund assets (£969m) and liabilities (£868m). This estimate of liabilities is simply 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 since the 2019 valuation. This is driven partly by the fact that returns yield on investments on investments have exceeded expectations in that period, and partly because since March 2022 there has been a change in market conditions which in turn leads to a more favourable measurement of the Fund's liabilities. This update is at a single point in time, and further market movements will lead to further fluctuations in funding level.
9. It should be noted that the 107% funding level relates only to "past service" benefits (i.e. service accrued to date). As a scheme which is "open" (i.e. both to future accrual of benefits for existing members and to new joiners), the Fund will also have to meet significant liabilities in respect of future service, which will in turn depend on pay levels and other factors. However, based upon 2019 data and assumptions, the Fund's position has improved, and the probability of being able to meet its liabilities in full in 20 years' time has increased. No de-risking actions are recommended at the current time.
10. The 2022 Triennial valuation is in progress, and initial "whole fund" results are reported later on this agenda. The 2022 Triennial valuation is in

progress, and initial “whole fund” results are reported later on this agenda. included

11. 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 (78.3%) and a summary of manager performance and manager rating. Once the commitments to the LCIV Infrastructure and LCIV Renewables Infrastructure Funds have been fully drawn down, this will rise to 82.5%.
12. 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. The performance in all of these timeframes was below the fund benchmark. This is in part due to the poor performance of the two equity managers which the Fund has replaced in the period since March 2021.
13. 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 2022 and subsequent activity

14. Appendix 5 sets out the change in the market value of the Fund’s investments from 31st March 2022 to 31st July 2022. 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 30th June 2022 had fallen over the quarter to £928.9m (from £1,018.0m as at 31st March 2022).
15. The values of most asset classes (except property) fell during the quarter – this was due to the various pressures on the global economy, including the impact of the war in Ukraine on energy and commodity prices, the growth in inflation driven partly by those impacts and also by continued lockdowns in areas of China leading to shortages of some products. In addition, the fall in the value of the £ relative to the US dollar has impacted negatively on the Fund’s currency hedging positions. During July the Fund’s value increased by £40m. The main contributor was equities, although other asset classes also recovered some of the ground lost in the previous quarter.
16. During the quarter there were several drawdowns against the Fund’s commitments to the LCIV Infrastructure Fund (£3.5m approx.) and the LCIV Renewables Infrastructure Fund (£1.05m approx.). This progress has continued in the current quarter, with further drawdowns to both Funds (more than £13m in total). As previously approved by the Committee, these

drawdowns are being funded by withdrawals from the Insight DGF (£8m) with the remainder from cash balances.

17. Following the decision of the Committee in March 2022, the transition of the Fund's Emerging Market Equity portfolio from GMO to the LCIV Emerging Market Equity Fund was progressed in the quarter and was completed in July 2022.
18. LaSalle Property Fund – a separate report elsewhere on this agenda sets out the latest position and recommends actions in respect of this fund.

E Meetings of Pension Board

19. At its meeting on 28 July 2022 the Board
 - Considered a report on the Pensions Administration performance, including updates on McCloud and other matters, and requested officers to write to the Pensions Ombudsman expressing concern at the delays (on the part of the Ombudsman) in considering three cases which are under review
 - Reviewed the Pension Fund Risk Register
 - Reviewed the Fund's Governance Compliance Statement and made some comments / suggestions on that document. The Statement is to be considered for approval elsewhere on the agenda for this meeting.
 - Approved the Board's Annual Report for submission to the Council meeting in September 2022.
 - And approved a draft work programme for the remainder of 2022-23.
20. The Board's meetings in the remainder of the 2022-23 municipal year are
 - 6 October 2022
 - 1 December 2022
 - 2 March 2023

Legal Implications

21. There are no direct legal implications arising from this report.
22. The Pension Fund Committee has the following powers and duties:
 - i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
 - iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;

- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund;
- vi. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
- vii. to apply the arrangements set out in (vi) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

Financial Implications

23. 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

24. Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **Yes**
25. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review is to be carried out at this meeting – see report elsewhere on the agenda.
26. 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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 01/09/2022

Statutory Officer: Sharon Clarke

Signed on behalf of the Monitoring Officer

Date: 01/09/2022

Chief Officer: Dawn Calvert

Signed on behalf of the Chief Executive

Date: 01/09/2022

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