

Pension Fund Committee **TABLED** **DOCUMENTS**

DATE: **Tuesday 21 June 2016**

AGENDA - PART I

8. **INFORMATION REPORT - LOCAL GOVERNMENT PENSION SCHEME
POOLING ARRANGEMENTS UPDATE** (Pages 3 - 4)

Tabled Documents to the Report of the Director of Finance.

AGENDA - PART II

19. **INFORMATION REPORT - INVESTMENT MANAGER MONITORING** (Pages 5 -
20)

Tabled Documents to the Report of the Director of Finance.

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LONDON CIV - INDIVIDUAL BOROUGH RESPONSE

London Borough of Harrow

| | |
|---|----------------|
| | £'000 |
| Total Assets Under Management - Please insert net assets @31/03/15 | 674,845 |

| | | |
|----------------------------|--------------|--------------|
| Liquid Assets | £'000 | £'000 |
| Total Liquid Assets | | 653,383 |
| Global Equities (Active) | 229,378 | |
| Global Equities (Passive) | 220,601 | |
| UK Equities (Active) | 0 | |
| UK Equities (Passive) | 0 | |
| Multi Asset / DGFs | 59,535 | |
| Fixed Interest Products | 69,247 | |
| Property (unitised funds) | 50,562 | |
| Alternative products | 0 | |
| Other including cash | 6,930 | |
| Index Linked Securities | 17,130 | |

Please provide any additional comments on transition timeline for the individual fund - Subject to suitable investment products being available the timeline we envisage is, by the end of 2016, 44% of our Fund being invested in the CIV, by the end of 2018, 58% and by the end of 2020, 96%. Subject to meeting our strategic objectives, we would consider putting up to 10% of our Fund in infrastructure investments but we are likely to prefer long term debt infrastructure rather than start up equity.

Additional Comments? The Pension Fund Committee is concerned that in the immediate or medium term only one of the Fund's Managers/Mandates is included within the CIV portfolio.

| | | |
|--|--------------|--------------|
| Illiquid Assets | £'000 | £'000 |
| Total Illiquid Assets | | 21,462 |
| Hedge Funds | 0 | |
| Private Equity | 22,954 | |
| Partnerships | 0 | |
| Infrastructure | 0 | |
| Property | 0 | |
| Real Assets | 0 | |
| Others - please specify - Currency Hedging | -2,649 | |
| Net Current Assets | 1,157 | |

Please provide detail e.g. any maturity dates, further subscriptions, etc.

Additional Comments?

| | | |
|---|--------------|--------------|
| Assets to remain outside the CIV | £'000 | £'000 |
| Total Assets to remain outside the CIV | | 21,462 |
| Private Equity | 22,954 | |
| Currency hedging | (2,649) | |
| Net Current Assets | 1,157 | |

Please provide detail for holdings outside CIV - including timescales for later transition. The Private equity portfolio has reached maturity and its year end value is decreasing as distributions are received

Additional comments?

| | | |
|-----------------------------|--------------|----------|
| Infrastructure | £'000 | % |
| Current Allocation | 0 | 0.00% |
| Actual Committed Funds | 0 | 0.00% |
| Existing Target Allocation | 0 | 0.00% |
| Long Term Target Allocation | 0 | 0.00% |

Please provide any additional comments on infrastructure ambitions or views on returns required

Additional Comments?

| | | | | |
|--|---------------------|-----------------|--------------------|-----------------|
| CEM Benchmarking Data | 2013 - £000 | 2013 bps | 2015 - £000 | 2015 bps |
| Investment Costs £'000 and basis points | 2,281 | 45.3 | 3,176 | 50.8 |
| Benchmark Cost analysis £'000 and basis points | Not supplied by CEM | | 3,670 | 58.7 |

Additional Comments?

| | | |
|------------------------------|---------------------|-----------------|
| CEM Benchmarking Data | 2013 - % | 2015 - % |
| Net Total Return | Not supplied by CEM | 9.4 |
| Policy Return | Not supplied by CEM | 8.7 |
| Net Value Added | Not supplied by CEM | 0.7 |
| Asset Risk | Not supplied by CEM | 11.8 |

| | | |
|-----------------------------------|--------------|---------------------|
| Estimated Transition Costs | £'000 | Basis Points |
| Expected to Transition 2016 | | |
| Expected to Transition 2017 | | |
| Expected to Transition 2018 | | |
| Expected to Transition 2019 | | |
| Expected to Transition 2020 | | |
| Expected to Transition 2021 | | |
| Assets remaining for transition | | |

The CIV will work on some broad guidelines on transition costs - given past experience and advice received. However, if you did want to comment on what you expect your individual costs will be, please feel free to do so here.

Additional Comments on Pooling - Please put any additional comments here - these will be included as an annexe in the CIV Pool submission with reference made to individual responses in the main submission document:

LONDON CIV - INDIVIDUAL BOROUGH RESPONSE

London Borough of Harrow

2033 is where the gov has asked us to forecast out to

Please note the assumptions and notes comments highlighted in the text boxes below

| Indicative Sub-Funds Available on CIV | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2033 | Additional Comments? Whilst clearly a lot of effort has gone into establishing the sub-funds set up to date and there is a clear commitment to offer opportunities to all the CIV funds we are concerned as to whether sufficient opportunities will be available for all funds. Our current strategy includes a major investment in emerging markets active equities and we are not sure whether there will be sufficient room within the number of sub-funds envisaged to offer us a suitable opportunity. We would also appreciate more detail on the fixed interest and alternatives products likely to be available before we can commit ourselves to anything other than an aspiration for 2020. |
|---|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
| Global Equities (Active) | 1 | 3 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Global Equities (Passive) | | 4 | 5 | 4 | 3 | 3 | 3 | 3 | 3 | 3 |
| UKEquities (Active) | | | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| UKEquities (Passive) | | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Multi Asset / DGFs | | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Fixed Interest & income/cashflow generating | | 1 | 3 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Property | | | | 2 | 3 | 4 | 4 | 4 | 4 | 4 |
| Alternative products | | | | 2 | 2 | 4 | 5 | 5 | 5 | 5 |
| Private Equity | | | | | 2 | 3 | 3 | 3 | 3 | 3 |
| Real Assets | | | | 2 | 2 | 3 | 3 | 4 | 4 | 4 |
| Infrastructure | | | 1 | 2 | 2 | 3 | 4 | 5 | 6 | 6 |
| Total Sub-Funds open | 1 | 14 | 23 | 29 | 32 | 38 | 40 | 42 | 43 | |

Assumptions: Sub-fund openings will be spread over the year. The majority of sub-funds will be through the ACS structure, where it is practical and financially beneficial to do so and where this isn't practical, the CIV will look to set up another fund structure (2017/18) that will accommodate assets outside of the ACS. Sub-funds will provide a wide range of investment options within individual asset classes and will be based on meeting the needs of the London Boroughs, based on their asset allocation and investment strategy decisions. Please note that the managers in sub-funds will be kept under constant review and will be changed as and when appropriate to do so. It should be noted that the number and types of sub-fund may vary significantly from the above to reflect changing asset allocation requirements

Estimated Assets to be transitioned based on 2015 Total Assets Under Management

| | £'000 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2033 | Please provide any additional comments on transition timeline for the individual fund As requested, all valuations are as in the 2014-15 accounts at market levels at the time. Between 2015 and 2033 there will obviously be inflation, changes in market levels and strategy changes and the fund will be more mature. |
|---|----------------|----------|---------------|---------------|----------------|----------|----------|----------|----------------|--|
| Total Assets Under Management - Please insert net assets @31/03/15 | 674845 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Global Equities (Active) | | 75,561 | | 77,276 | | 76,541 | | | | If Longview sub-fund is set up in 2016 transition will be straightforward; opportunity for transition from Oldfields should arise in 2018; a satisfactory emerging markets fund needs to be available for the GMO mandate (say) 2020 |
| Global Equities (Passive) | | 220,601 | | | | | | | | If, as indicated above, 4 funds become available in 2016 we can do the transition from State Street |
| UKEquities (Active) | | | | | | | | | | |
| UKEquities (Passive) | | | | | | | | | | |
| Multi Asset / DGFs | | | | | | | | | | |
| Fixed Interest & income/cashflow generating | | | | | | 86,377 | | | | Includes fixed income and index linked but we need more clarity before committing. We are very significant holders in the Aviva fund and, if required to transition, would wish to take a managed approach over several years |
| Property | | | | 15,000 | 15,000 | 20,562 | | | | Although four products have apparently been chosen all appear to be similar and are all different in style to our own. We would wish to see a bigger range on offer |
| Alternative products | | | | | | 59,535 | | | | |
| Private Equity | | | | | | | | | | |
| Real Assets | | | | | | | | | | |
| Infrastructure | | | | | | | | | | |
| Other including cash | | | | | | | | | | |
| Total Assets to be transitioned £m | 296,162 | - | 92,276 | 15,000 | 243,015 | - | - | - | 646,453 | |

NOTE: The transition of assets is indicative only to provide an indication for the 15th July submission and it is recognised that Funds will need to take decisions on transitioning assets as and when suitable products are available to meet their strategic asset allocation and investment decisions. Individual fund data will not be submitted to DCLG, but will be aggregated to provide an indicative value of assets at a whole fund level for the London CIV Pool submission

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