

	Pension Fund Committee 22 October 2015
Title	Barnet Council Pension Fund Performance for Quarter April to June 2015
Report of	Chief Operating Officer
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pension Fund Market Value of Investments as at 30 June 2015 Appendix B – Hymans Robertson Performance Report to 30 June 2015 Appendix C – WM Local Authority Universe Comparison to 30 June 2015 (<i>to follow</i>)
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Summary

This report summarises Pension Fund investment manager performance for the April to June quarter 2015 based on the performance monitoring report provided by Hymans Robertson.

Recommendation

That, having considered the performance of the Pension Fund for the quarter to 30 June 2015, the Committee instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.

1. WHY THIS REPORT IS NEEDED

- 1.1 To ensure that the pension fund is being invested prudently and in accordance with the investment strategy.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Not applicable.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

- 4.1 The Chief Operating Officer and Chief Finance Officer will carry out any actions considered necessary.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will provide support towards the Council's corporate priorities.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 As administering authority for the London Borough of Barnet Pension Fund, the Council is required to invest any funds not required for the payment and administration of pension fund contributions and benefits.
- 5.2.2 The Pension Fund has appointed external fund managers to maximise pension fund assets in accordance with the fund investment strategy. The Pension Fund is a long term investor and volatility of investment return is expected, though in the longer term, the appointed fund managers are expected to deliver positive returns in accordance with the fund benchmarks. The Scheme benchmark is a liability driven benchmark and is dependent on the movement in gilt yield. The Growth portfolio targets of the respective Diversified Growth Funds are Newton; LIBOR +4%, and Schroder; RPI+5%.
- 5.2.3 The total value of the pension fund's investments including internally managed cash was £888.469 million as at 30 June 2015, down from £919.903 million as at 31 March 2015. The total market value of externally managed investments fell by £16.45 million over the quarter. The graph in Appendix A shows how the

market value of the fund has grown since 2007. Since June 2015, markets have been volatile. The total value of the fund as at 30 September 2015 was £872.014 million (£882.744 million as at 31 August 2015).

- 5.2.4 **Summary:** Over the quarter at a total scheme level the Fund's externally managed investments produced an absolute negative returns of -3.2%. In relative terms the scheme underperformed against benchmark by -1.9. Over 12 months the absolute return was 5% with relative outperformance of 0.2%. The attached performance report is the first monitoring report from Hymans Robertson.

5.3 **Social Value**

- 5.3.1 Not applicable.

5.4 **Legal and Constitutional References**

- 5.4.1 Regulation 10 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 made under the powers conferred by section 7 and Schedule 3 of the Superannuation Act 1972 requires the Administering Authority to review the performance of the investment manager on a quarterly basis.

- 5.4.2 The Council's Constitution – Annex A – Responsibility for Functions, details the responsibilities of the Pension Fund Committee, including To review and challenge at least quarterly the Pension Fund investment managers' performance against the Statement of Investment Principles in general and investment performance benchmarks and targets in particular. One of these meetings to be the annual review, at which the representative from the council's performance management organisation attends to comment on the relative performance of the fund managers.

5.5 **Risk Management**

- 5.5.1 A key risk is that of poor investment performance. The performance of Fund managers is monitored by the committee every quarter with reference to reports from Hymans Robertson, the Pension Fund investment adviser, and the WM Company Ltd, a company that measures the performance of pension funds. If fund manager performance is considered inadequate, the fund manager can be replaced.
- 5.5.2 Risks around safeguarding of pension fund assets are highlighted in the current economic climate following the sovereign debt crises in the Euro zone. Fund managers need to have due regard to longer term investment success, in the context of significant market volatility..

5.6 **Equalities and Diversity**

- 5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons

who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with this public sector equality duty. Good governance arrangements and monitoring of the pension fund managers will benefit everyone who contributes to the fund.

5.7 Consultation and Engagement

- 5.7.1 Not applicable.

5.8 Insight

- 5.8.1 Not applicable.

6. BACKGROUND PAPERS

- 6.1 None