



## Pension Fund Committee

**3 February 2016**

<b>Title</b>	<b>Pension Fund Performance for Quarter July to September 2015</b>
<b>Report of</b>	Chief Operating Officer
<b>Wards</b>	n/a
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Pension Fund Market Value of Investments as at 30 September 2015 Appendix B – Hymans Robinson Performance Report to 30 September 2015 Appendix C – WM Local Authority Universe Comparison to 30 September 2015 - <b>To Follow</b>
<b>Officer Contact Details</b>	Iain Millar, Head of Treasury Services 0208 359 7126

### Summary

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

### Recommendations

1. That having considered the performance of the Pension Fund for the quarter to 30 September 2015, the Pensions Fund 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 The terms of reference of the Pension Fund Committee require review and challenge of Fund Managers' quarterly investment performance against benchmarks and targets.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None

## **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 appointed external fund managers to maximise pension fund assets in accordance with the fund investment strategy in 2010. 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 On October 22 2015, (Item 11), Pension Fund Committee reviewed and revised the pension fund asset allocation and agreed to adopt an investment strategy based on 36% overseas equity, 21.5% diversified growth, 12% corporate bonds, 0.5% cash; 20% 'multi asset credit; and 10% illiquid alternatives. Pension Fund Committee agreed to increase the move of the fund out of Corporate Bonds from 15% to 20% and that 10% of the proceeds of the Corporate Bonds be invested in the Schroder Strategic Bond Fund with the Investment Advisors to recommend additional fund managers for the Committee to select to invest the balance of 10%.
- 5.2.4 The total value of the pension fund's investments including internally managed cash was £872.014 million as at 30 September 2015, down from £888.469 million as at 30 June 2015. The total market value of externally managed investments fell by £16.4 million over the quarter. The graph in Appendix A shows how the market value of the fund has grown since 2008. Since June 2015 markets have been increasingly volatile. The total value of the fund as at 31 December 2015 was £882.556 million.
- 5.2.5 Following the asset allocation rebalancing decision on 22 October 2015, £120 million has been transferred to Legal and General (£60 million from Newton Investment Management Real Return and £60 million from Schroders Diversified Growth Fund). In addition £90 million has been transferred from Newton Corporate Bonds to the Schroder Strategic Bond Fund
- 5.2.4 **Performance Summary:** Over the quarter at a total scheme level the Fund's externally managed investments produced an absolute negative returns of - 1.6%. In relative terms the scheme underperformed against benchmark by - 2.1%. The growth mandated delivered negative absolute returns as equity markets fell but the three corporate bond mandates delivered positive absolute returns .The attached performance report is the second monitoring report from Hymans Robertson.

### 5.3 Social Value

- 5.3.1 Membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

### 5.4 Legal and Constitutional References

- 5.4.1 This report is based on the provisions of 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.
- 5.4.2 The Council's Constitution Responsibility for Functions outlines the terms of reference of the Pension Fund Committee and therefore it is confirmed that this Committee is able 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.

## **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

Appendix A – Pension Fund Market Value of Investments as at 30 September 2015.

