	<p>Pension Fund Committee</p> <p>29 July 2019</p>
<p style="text-align: right;">Title</p>	<p>Barnet Council Pension Fund - Performance for the Quarter to 30 June 2019</p>
<p style="text-align: right;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: right;">Wards</p>	<p>N/A</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – Pension Fund Market Value of Investments as at 30 June 2019</p> <p>Appendix B - Asset Allocation as at 30 June 2019</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>George Bruce, Head of Treasury, George.bruce@barnet.gov.uk - 0208 359 7126</p>

Summary

This report summarises the Pension Fund investment managers' activity during the three months to 30 June 2019. Due to the timing of the meeting, Hymans Robertson report is not able to provide a commentary on performance for the quarter to 30 June 2019, but will be attending the meeting.

Officers Recommendations

The Committee note the investment values as at 30 June 2019 and the activity in the quarter.

1. WHY THIS REPORT IS NEEDED

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

Fund Valuation

- 1.2 The valuation of the fund as at 30 June 2019 was £1,177.4 million, an increase of £30.3 million (2.4%) compared with the 31 March 2019's valuation of £1,147.0 million as detailed on appendix B. The chart on appendix A indicates a mostly steady increase in valuations over the last six years. Many of the valuations of the credit managers is as at 31st May 2019.

Performance Summary

- 1.3 No data is available on fund performance in the quarter to 30 June 2019 as valuations for many of illiquid mandates as at that date is not available.

Investment Manager Ratings

- 1.4 Hymans provide ratings for all the investment managers. There have been no changes since the last meeting. Most of the mandates are rated at Hymans' highest level of conviction (preferred). The exceptions are the two DGF's funds rated as suitable and the Schroders' Corporate Bonds mandate rated as positive.

Fund Manager Transactions

- 1.5 The major transaction in the period was the funding of half of the commitment to the CBRE Global Property Fund (\$16 million). The short notification did not allow time to realise funds from Newton and therefore a one-month loan of £15 million was taken from the Council at an annualised rate of 1%. This will be repaid at the end of July.

- 1.6 Other drawdowns comprised:

Alcentra Direct European Fund £1.5 million

IFM Infrastructure \$2.2 million (1st July)

- 1.7 There was distribution from Alcentra (Direct European Lending) of £0.54 million and Partners £1.4 million.

- 1.8 Outstanding commitments at the quarter end are:

Alcentra European Direct Lending	£3.9 million
CBRE Global Alpha (\$32 million)	\$16 million
IFM	\$8.9 million
Partners 2019 MAC	£30 million

Allocations v Strategy

- 1.9 Appendix B highlights the portfolio positions compared with benchmark. The target allocations have been amended to include the unfunded mandates for property and equity and to reduce the DGF weighting to nil. The other significant difference is the underweighting for illiquid alternatives, partly due to capital being returned by Partners and Alcentra and the unfunded commitments to the European Direct Lending Fund. The recently agreed commitment to Partner 2019 fund will add to this allocation. Cash will be taken from the two diversified growth funds as required to fund other mandates.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The terms of reference of the Pension Fund Committee require the Committee to review and challenge the 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 Financial 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 ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities.

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

- 5.2.1 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy. The Pension Fund is a long-term investor and short-term volatility of investment return is expected. In the longer term, the appointed fund managers are expected to deliver positive returns in accordance with the Fund benchmarks. The global diversification of the Pension Fund portfolio gives some protection against the market volatility. The funding level of the Scheme uses a valuation of the future liabilities discounted using gilt yields. The mismatch between assets held and the method of valuing future liabilities will also result in volatility of funding levels.

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 Constitution – Under article 7 one of the responsibilities of the Pension Fund Committee is 'To review and challenge at least quarterly the Pension Fund investment managers'

performance against the Statement of Investment Principles [now Investment Strategy Statement] in general and investment performance benchmarks and targets in particular.’

5.4.2 Regulation 9 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provides the power to appoint investment managers. The regulations no longer have a specific reference to monitoring investment managers but state “the authority must reasonably believe that the investment manager’s ability in and practical experience of financial matters make that investment manager suitably qualified to make investment decisions for it.” Only through periodic monitoring can the Committee achieve this requirement.

5.5 Risk Management

5.5.1 A key risk is that of poor investment performance. The performance of the fund managers is monitored by the Pension Fund Committee every quarter with reference to reports from Hymans Robertson, the Pension Fund investment adviser. If a fund manager’s performance is considered inadequate, the fund manager can be replaced.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality 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, marriage and civil partnership.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The public sector equality duty requires public authorities in carrying out their functions to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund’s managers will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not applicable

5.9 Insight

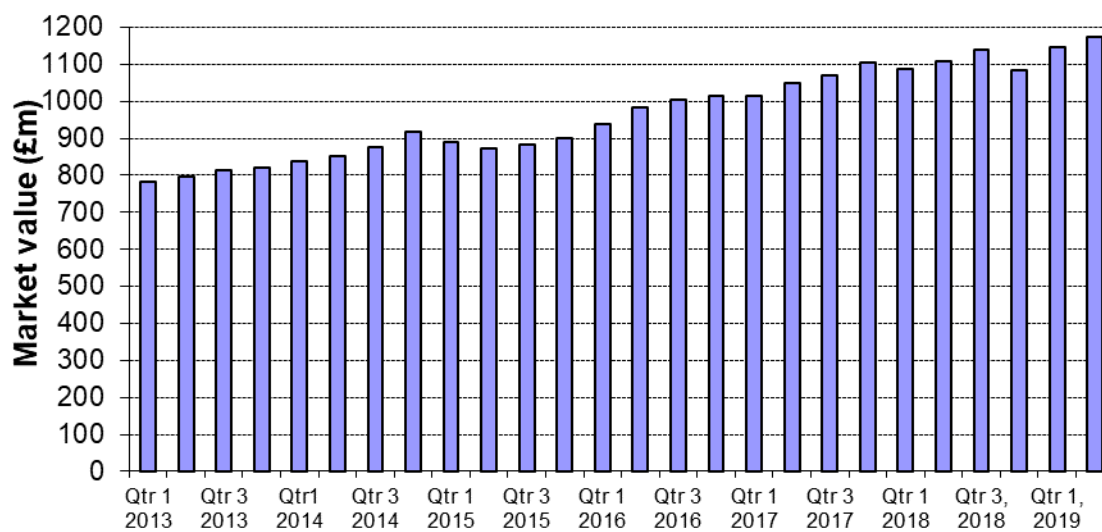
5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 None

Appendix A – Market Value of Investments as at 30 June 2019

Market value of Pension Fund



Appendix B - Asset Allocation to 30 June 2019

LB Barnet Pension Fund	Allocation as at 30.6.2019			Target Allocation	
	£	%	%	%	%
Equities			40.07		50.00
LGIM Global	247,183,425	21.00		20.00	
LGIM RAFI	224,509,013	19.07		20.00	
Emerging Markets	0	0.00		5.00	
Private Equity	0	0.00		5.00	
Property			3.36		10.00
Core UK Commercial	0	0.00		5.00	
Long Lease	27,000,000	2.29		2.50	
Non-UK	12,598,425	1.07		2.50	
Diversified Growth			21.84		0.00
Schroder	144,996,986	12.32		0.00	
Newton	112,085,020	9.52		0.00	
Multi Credit Liquid			9.95		11.00
Baring Global High Yield (May)	38,456,675	3.27		3.50	
Alcentra (May)	35,637,210	3.03		3.50	
Insight Secured Finance	43,051,238	3.66		4.00	
Corporate Bonds			10.69		10.00
Schroder	125,818,673	10.69		10.00	
Illiquid Alternatives			14.87		19.00
Alcentra (March)	30,719,076	2.61		4.00	
Partners Group (May)	57,078,027	4.85		7.00	
M&G Lion Credit Opport	31,066,774	2.64		3.00	
IFM Global Infrastruct	56,235,267	4.78		5.00	
Cash	-9,159,241	-0.78	-0.78	0.00	0.00
Total	1,177,276,568	100.00		100.00	100.00