



Pension Fund Committee

26 July 2021

Title	Barnet Council Pension Fund - Performance for the Quarter to 30 June 2021
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Market Value of Investments as at 30 June 2021 Appendix B - Asset Allocation as at 30 June 2021 Appendix C - Market Commentary (Hymans Robertson) Appendix D – Quarterly Hymans Robertson Report 31 March 2021.
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Summary	
This report provides an update on investment valuations, transactions and returns in the quarter to 30 June 2021.	
Officers Recommendations	
That the Pension Fund Committee note the investment activities and performance of the Pension Fund for the quarter to 30 June 2021.	

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 2021 is estimated at £1,453.3 million (31 March 2021 £1,392.4 million) (appendix B), an estimated return of 4.4% in the quarter. June valuations have been received for 84% of the investments with the remainder valued at either May or March as indicated on appendix B. The timing of the meeting does not allow Hymans Robertson sufficient time to prepare their quarterly reporting. However, they have provided market commentary for the quarter (appendix C). As we were unable to provide the Hyman's March quarterly report, this is attached for information (appendix D). The fund value has increased by £60.8 million during quarter with equities continuing to generate most of the returns. The unhedged investments in infrastructure, overseas property and private equity benefited from sterling's decline against the US dollar from \$1.42 to \$1.38 in the quarter.

Performance Summary

- 1.3 Hymans 'flash stats' market commentary (appendix D) discusses market returns in the last three and twelve months. .

Investment Manager Ratings

- 1.4 Hymans' manager ratings as at the quarter end are not currently available, although they report no changes for Barnet managers in the quarter.

Fund Manager Transactions

- 1.5 Cash movements into and out of funds are highlighted in appendix B. The first of three investments of £22 million into LCIV Sustainable Equities Exclusion Fund was completed in early April, funded from LGIM equity realisation during the March quarter.
- 1.6 Other notable transactions comprised two drawdowns from LCIV Private Debt (£8.3 million), a drawdown for Adams Street private equity (£3.1 million) and distributions from the private debt funds (Partners and Alcentra) of £7.1 million.
- 1.7 Contracts for the new commitments to Adams Street Secondary and LCIV Renewable Infrastructure are completed but no funds are drawn as yet. Undrawn commitments awaiting investment as at 30 June 2021 are:

Adams Street Private equity	\$52.8 million
Adams Street Secondary Private Equity	\$55 million
LCIV Private Debt	£51.7 million
LCIV Renewables Infrastructure	£40 million

Allocations v Strategy

- 1.8 Appendix B highlights the portfolio positions compared with benchmark. The diversified growth portfolio represents 13.4% (nil allocation), while there are significant underweights with private equity (3.7%), property (3.2%), private debt (4.8%) and infrastructure (2.9%). Recently significant commitments have been made to Adams Street private equity, LCIV Private Debt and LCIV Renewables

Infrastructure that over time (circa three years) will partially address the overweighting in DGF's, which has a nil target, as these will be sold to fund the new investments. The proposed investment in distressed debt (moving 2% property allocation to illiquid credit) will also increase the speed of DGF disinvestment.

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 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 performance of the Pension Fund's investments taking into consideration the benchmarks and targets

set out in the Investment Strategy Statement and investment management contracts and to consider advice from the investment advisor(s).”

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”, Regulation 9(3). 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 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and 3) 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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

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

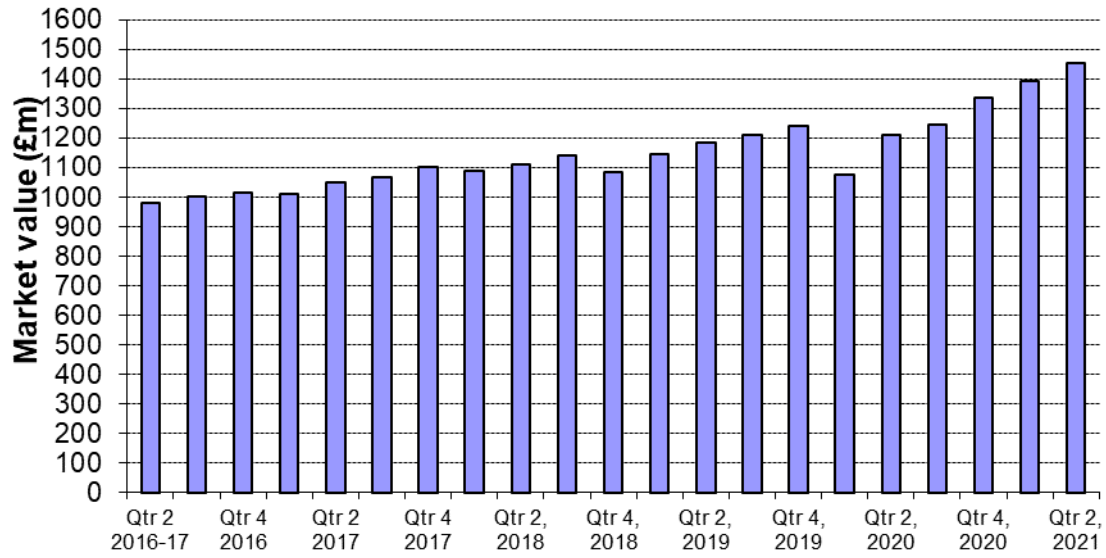
5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 None

Appendix A – Market Value of Investments as at 30 June 2021

Market value of Pension Fund



Appendix B - Asset Allocation as at 30 June 2021

	valuation		31-Mar-21	Transactions	30-Jun-21		Target Allocation	
	date				£	£	%	%
Equities							49.48%	50.00
LGIM Global			255,743,273		274,402,586	18.88%	0.00	
LGIM RAFI			251,393,656		264,796,295	18.22%	10.00	
LGIM Future Worlds			55,942,498		60,241,843	4.15%	25.00	
LCIV Emerging Markets			75,904,478		78,344,421	5.39%	5.00	
LCIV Sustainable Exclusion Equity			0	22,000,000	22,744,115	1.56%	5.00	
Adams Street Private Equity	Mar-21		12,414,596	3,145,109	18,581,346	1.28%	5.00	
Property							3.84%	7.00
Core UK Commercial			0		0		2.00	
Aberdeen Standard Long Lease	Mar-21		30,035,436		30,035,436	2.07%	2.50	
CBRE Global	Mar-21		25,649,025		25,752,596	1.77%	2.50	
Diversified Growth							13.39%	0.00
Schroder			143,172,047		150,136,143	10.33%	0.00	
LCIV Real Return (Newton)			43,362,247		44,407,120	3.06%	0.00	
Multi Credit Liquid							8.67%	11.00
Baring Global High Yield			41,140,344		42,207,643	2.90%	3.50	
Alcentra Multi Credit	May-21		37,612,650		38,286,420	2.63%	3.50	
Insight Secured Finance			45,004,798		45,526,770	3.13%	4.00	
Corporate Bonds							9.77%	10.00
Schroder			138,726,359		141,919,923	9.77%	10.00	
Illiquid Alternatives							13.46%	22.00
Alcentra European Direct							as below	
Lending	Mar-21		20,806,158	-1,868,162	18,937,996	1.30%	11.00	
Partners Group	May-21		67,960,050	-5,261,115	62,980,125	4.33%	as above	
LCIV Private Debt	Cash invested		0	8,277,850	8,277,840	0.57%	3.00	
M&G Lion Credit Opport	May-21		31,057,450		31,226,264	2.15%	3.00	
LCIV Renewables Infrastructure					0	0.00%	3.00	
IFM Global Infrastruct			68,943,497		74,250,561	5.11%	5.00	
Cash			47,608,057	-27,329,042	20,279,015	1.40%	1.40%	0.00
Total			1,392,476,619	-1,035,360	1,453,334,458	100.00%	100.00%	100.00

NB: Prior month valuations are adjusted for cash and currency movements.
The net cash movement is due to balance of contributions, benefits, expenses and income.