


Non-Executive Report of the: Pensions Committee 13 March 2019	 TOWER HAMLETS
Report of: Neville Murton - Corporate Director, Resources	Classification: Unrestricted
Investment and Fund Managers Performance Review for Quarter Ending 31st December 2018	

Originating Officer(s)	Bola Tobun, Investment & Treasury Manager
Wards affected	All wards

Summary

This report informs Members of the performance of the Pension Fund and its investment managers for the third quarter of 2018/19.

Fund outperformed over the quarter. The Fund outperformed its benchmark return of -4.91% by 0.47% for the quarter, in spite of equity markets falling sharply over the period. Deepening worries over the economic outlook and the partial shutdown of the US government dragged global equities lower over the reporting quarter, particularly during December, tipping returns into the negative territory for the year 2018.

Five mandates matched or achieved benchmark set. For this quarter, five mandates matched or achieved returns above the set benchmark. The six that did not achieve the benchmarks were the mandates with *LCIV BG (DGF), LCIV BG (Ruffer), LCIV CQS (MAC), LCIV BG (GE), Insight and *GSAM bond portfolios.

Fund Valuation of £1.485bn, a £75m reduction over the quarter.

Fund outperformed over twelve months. For the twelve months to December 2018, the Fund returned -0.73% marginally underperformed the benchmark of -0.66%, the Fund is behind its benchmark by -0.07%.

Four mandates matched or achieved benchmark set. Four mandates underperformed their respective benchmark. The mandates that underperformed their respective benchmarks were *LCIV RF lagged behind by -9.89%, *LCIV BG (DGF) lagged behind by -8.87%, *GSAM lagged behind by -7.40% and Insight by -9.98%.

Fund is broadly in line with the strategic benchmark weight. Looking at the longer term performance, the three year return for the Fund was 9.13%, above its benchmark return by 0.87% for that period. Over the five years, the Fund posted a return of 7.50% outperforming the benchmark return of 7.21% by 0.29%.

The Fund remains in line with its long term strategic equity asset allocation and the distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight.

*LCIV BG (DGF) – fund manager is Baillie Gifford and investment is Diversified Growth Fund, LCIV BG (GE)- fund manager is Baillie Gifford and investment is Global Equity, LCIV RF – fund manager is Ruffer, *GSAM – Goldman Sachs Asset Management

Recommendations:

Members are recommended to note the contents of this report.

1. REASONS FOR THE DECISIONS

- 1.1. The report informs the Pension Committee of the performance of pension fund managers and the overall performance of the Tower Hamlets Pension Fund.

2. ALTERNATIVE OPTIONS

- 2.1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Pension Fund so there is no alternative but to report the performance of the Fund to the Pension Committee on a regular basis,

3. DETAILS OF REPORT

- 3.1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.
- 3.2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and if considered necessary may recommend that investment managers are invited to explain further to the Pensions Committee.
- 3.3. This report informs Members of the performance of the Fund and its investment managers for the quarter end 31st December 2018.

3.4. SUMMARY OF THE PENSIONS FUND INVESTMENTS

i. London Common Investment Vehicle (LCIV)

The London CIV was formed as a voluntary collaborative venture by London Local Authorities in 2014 and has led the way in pooling of investments in the Local Government Pension Scheme (LGPS). The London CIV aims to be the investment vehicle of choice for London Local Authority Pension Funds through successful collaboration and delivery of compelling performance. The LCIV was launched in December 2015, as a fully authorised and regulated investment management company. The founding members are the London boroughs including the City of London Corporation. The LCIV has been established as a collective investment vehicle for their Local Government Pension Scheme funds. The current regulatory permission allows the London CIV to operate an Authorised Contractual Scheme Fund (the UK's version of a Tax Transparent Fund).

The London CIV currently manages four investment portfolios for Tower Hamlets (TH) pension fund which are listed below:

- a) **The Baillie Gifford Diversified Growth Fund (BG - DGF)** the original TH mandate was opened in February 2011 with a contract value of £40m. £6.409m was added to this portfolio in June 2015. The performance target for this mandate is to outperform the benchmark (3% p.a. above the 3 month London Interbank Offered Rate (LIBOR) net of fees over rolling 5

years with annual volatility of less than 10%). This mandate was transferred to LCIV on 15 February 2016 at market value of £54.177m and named as **LCIV (BG) DGF**. A further capital contribution of £70m was paid into this portfolio on 23 August 2017. The market value of assets as at 31 December 2018 was £128.911m. For this reporting quarter, the return of this portfolio was -4.53% with relative underperformance of -5.53% below benchmark return of 0.99%. The portfolio also underperformed the one year benchmark by -8.87%, also underperformed the three year benchmark return by -0.85% per annum and by -0.45% per annum over 5 years. The portfolio invests in a range of asset classes and further information on this portfolio is attached to this report as Appendix 2.

- b) **The Baillie Gifford Global Alpha Equity Fund (BG GA)** had a value of £118.9m at the start of the mandate in July 2007. The performance target for this mandate is 2% to 3% above the benchmark (Morgan Stanley Composite Index All Country (MSCI AC) World Index gross of fees over a rolling 3-5 year period). This mandate was transferred to LCIV on 22 April 2016 at market value of £214.1m and named **LCIV (BG) GA**. ***The market value of the assets as of 31 December 2018 was £307.769m.*** The portfolio underperformed the benchmark by delivering a return of -12.47% compared to a benchmark return of -10.67% over the quarter. The portfolio also underperformed the one year benchmark return by -0.42%, but outperformed the three year benchmark return by 1.78% per annum and the 5 years benchmark return by 2.16% per annum. Baillie Gifford's Global equity performance had been very strong and this level of outperformance should not be expected to continue. Further information on this portfolio is attached to this report as Appendix 2.
- c) **Ruffer LLP** manages an Absolute Return Fund; the value of this contract on the 28 February 2011 was £40m. £6.474m was added to this portfolio on 2 June 2015. The management of this portfolio was transferred to the LCIV on 20 June 2016 at market value of £54m and the portfolio is named **LCIV Ruffer (AR)**. A capital contribution of £70m was added to this portfolio on 23 August 2017. The performance target for this mandate is to outperform the benchmark (3.5% p.a. above 3 month LIBOR) net of fees over rolling 5 years with annual volatility of less than 10%. ***The value of assets under management as of 31 December 2018 was £126.591m.*** The portfolio underperformed the benchmark by delivering a return of -5.44% compared to benchmark return of 0.99% over the quarter. Also underperformed the benchmark for one year by posting a return of -6.04% against a benchmark return of 3.85%. Also for over 3 years the portfolio underperformed its benchmark by posting a lagging return of -0.74% per annum and also underperformed its benchmark by lagging behind by -0.68% per annum for over 5 years period. Further information from LCIV for this portfolio is attached to this report as Appendix 2.
- d) **LCIV (Multi Asset Credit) MAC Fund** – LCIV invest in CQS Credit Multi Asset Fund with an objective to return London Interbank Offered Rate (LIBOR) +4-5% per annum over a 4-year rolling period and the expected volatility for this fund is 4-6% over a 4-year rolling period. ***Multi Asset Credit (MAC) – are strategies that make investments in multiple areas of credit. This involves bonds and loans from non-government issuers. Investments can be held as long or short. A long position is when the portfolio manager hold assets the manager expected to rise in price. The short position is when the manager sell assets in advance as the manager expected a fall in***

price. The manager also uses this long / short positions to tailor risk exposures of the portfolio. Tower Hamlets Pension Fund transferred £90m on 29 May 2018 to London CIV to invest in LCIV (CQS) MAC which was launched 31 May 2018. CQS MAC Fund had arguably been the London CIV's most successful fund launch to date. **The portfolio had a market value of £89.433m at 31 December 2018** and underperformed the benchmark by delivering a return of -2% compared to benchmark return of 1.24% over the quarter. Further information on this portfolio is attached to this report as Appendix 2.

ii. **Goldman Sachs Asset Management (GSAM)**

On 4 April 2016, the fund invested £75m in Goldman Sachs Strategic Absolute Return Bond II (STAR II). The performance target is to outperform the benchmark (3 Month LIBOR) by 4.0% per annum net of fees over a rolling three year period. £24.5m was disinvested from this portfolio on 25 May 2018 to fund the LCIV (CQS) MAC portfolio. **The portfolio had a market value of £51.183m at 31 December 2018.** The portfolio underperformed the benchmark (3 month LIBOR plus 4%) in the reporting period by posting returns of -0.70% against a benchmark return of 1.24% and also underperformed the benchmark for one year to reporting period considerably by -7.40%. GSAM performance has been disappointing and recent underperformance was predominantly due to the Manager, Currency and Emerging market debt selection strategies, whilst the Duration and Cross-Sector strategies contributed positively. Further information on this portfolio is attached to this report as Appendix 3.

iii. **Insight Investment Management**

On 1 July 2016, the fund invested £70m with Insight Investment Management in BNY Mellon Global Funds. £21.7m was disinvested from this portfolio on 25 May 2018 to fund the LCIV (CQS) MAC portfolio. The portfolio had a market value of £47.086m at 31 December 2018. The performance target is to outperform the benchmark (3 Month LIBOR) by 3-4% per annum net of fees over a rolling three year period. The portfolio underperformed the benchmark (3 month LIBOR plus 4%) in the reporting period by posting returns of -1.46% against a benchmark return of 1.23%, the portfolio also underperformed its benchmark significantly for one year to reporting period by -9.98%. Performance has been disappointing and recent underperformance was due to Long duration positions which was negative over the period, the Emerging market debt exposure driven by the sell-off over the period. Currency was also a detractor; this was due to USD versus Emerging market currencies. Further information on this portfolio is attached to this report as Appendix 4.

iv. **Legal & General Investment Management (LGIM)**

Legal & General was appointed on 2 August 2010 to manage passively UK Equity and UK Index-Linked Mandates. The UK Index-Linked Mandate benchmark is FTSE A Gov Index-Linked > 5 years. A decision was made at the September 2017 Pension Committee meeting following the outcome of the Fund investment strategy review to disinvest from the passive UK Equity mandate. From an investment perspective the committee felt that it was difficult to justify the overweight position to UK Equity market since 90% of revenues in this market are global. The Fund invested the redemption proceeds of the UK equity portfolio in Passive Global Equity and Low Carbon Passive Global Equity Fund as agreed by the Committee in December 2017.

LGIM Equity portfolio is as shown below:

Fund	Allocation (30% of total LBTH Fund)
FTSE All World Equity Index (LGIM Global Equity)	16.7%
FTSE All World Equity Index GBP Hedged (LGIM Global Equity Hedged)	33.3%
MSCI World Low Carbon Target Index GBP Hedged (LGIM LC Global Equity)	50.0%

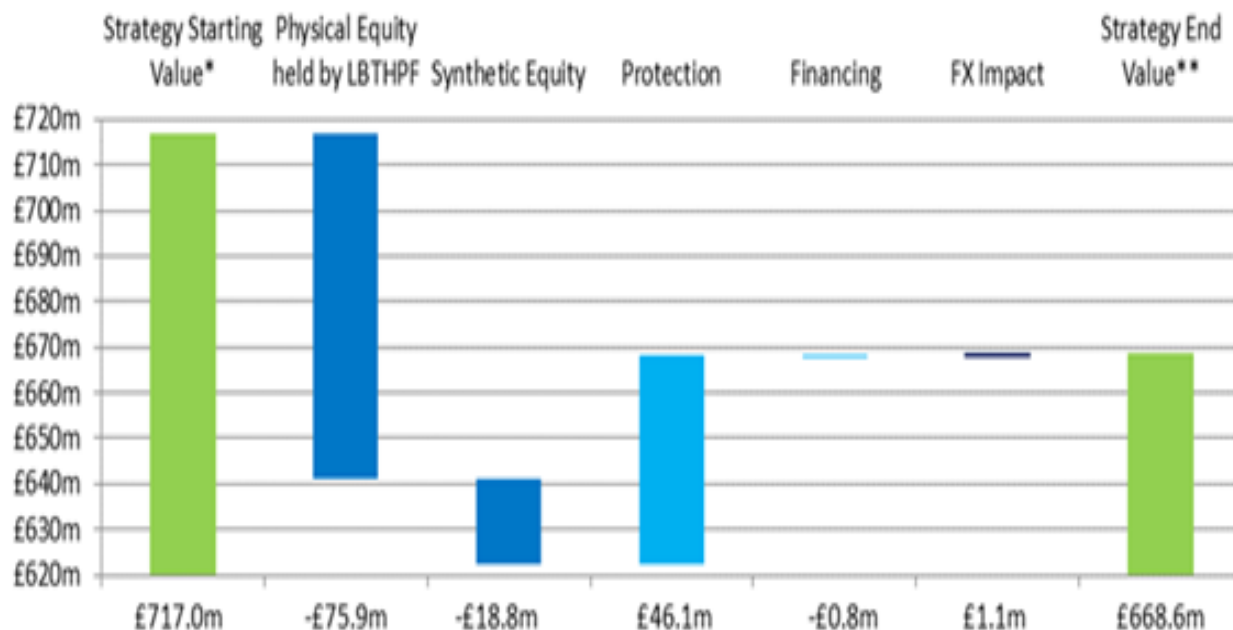
The UK Index Linked Gilts portfolio of £72.26m was transferred to Schroders for EPS collateralisation management. At 31 December 2018, the Unhedged Passive Global Equity portfolio had a market value of £76.498m; the Low Carbon Passive Global Equity portfolio had a market value of £217.965m. £142.4m was redeemed from the Hedged Passive Global Equity portfolio to support the Equity Protection Strategy (EPS) Collateralisation and the quarter end market value of this portfolio balance was £20.416m. As expected from a tracking manager, all the portfolios matched the benchmark returns. Further information is attached to this report as Appendix 5.

v. Schroder's Investment Management

Schroder currently manage two investment portfolios for the Fund.

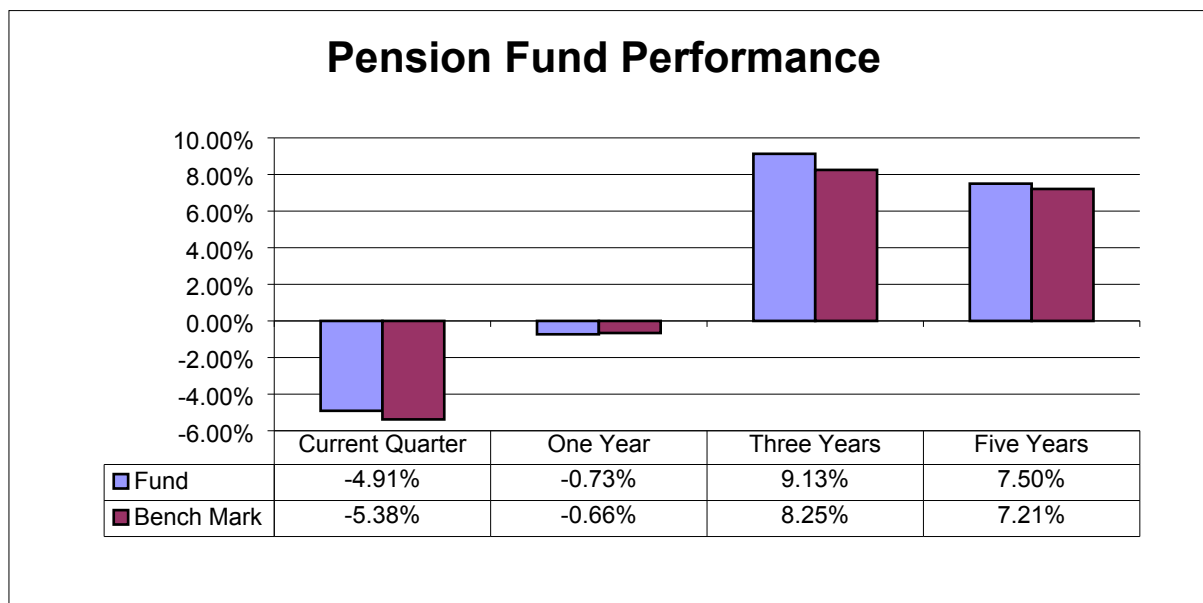
- a) Property Investment - The value of this mandate on 20 September 2004 was £90m. The performance target for this mandate is to outperform the Investment Property Databank (IPD) UK Pooled Property Fund Indices All Balanced Funds Median benchmark by 0.75% net of fees over a rolling three year period. The market value of assets at 31 December 2018 was £160.743m. The portfolio marginally underperformed its benchmark return of 0.90% by -0.01% for this reporting quarter. For twelve months to 31 December 2018, the portfolio made a return of 8.12%, this was 1.56% above the benchmark. And for longer term, the three years performance was 1.0% per annum above the benchmark return and for over five years, the portfolio outperformance was over the benchmark return by 0.26% per annum. Schroders are mindful of the key market risks facing the property sector (e.g. high street retail and Brexit concerns), which is clearly reflected in their portfolio by being underweight in Shopping Centres and Central London offices. The industrial sector remains the strongest driver of returns over recent periods. The portfolio sector structure continues to contribute positively to performance, with a benchmark relative underweight position to the retail sector and central London offices. Further information from the manager is attached to this report as Appendix 6.
- b) Equity Protection Investment – The Fund invested in Schroders Pooled Vehicle to implement and manage a downside risk management of £718m option overlay and to establish long synthetic equity positions of £142m with the following characteristics:
 - Protecting against losses up to 2020 (on a price return basis)
 - Financing the downside protection through sale of uncertain equity market upside
 - Using a basket of over the counter (OTC) options on specific equity benchmark indices (in local currency)
 - Aim to diversify counterparty exposure during the implementation of the strategy

£72.26m of gilts and £142.4m of equities redemption proceeds were transferred from the Tower Hamlets Pension Fund portfolios with LGIM to Schroders Pooled Fund, to be used as collateral to cover margin requirements under the protection contracts. The protection contracts require daily margin movements to cover gains or losses to the Fund or against the Fund. As at 31 December 2018 the value of the strategy was £668.6m compared to starting position of £718m and the net assets value of the Fund was £242.6m compared to £214m as shown in the chart below produced by Schroders.



INVESTMENT PERFORMANCE

3.5. The overall value of the Fund at 31 December 2018 stood at £1,485.3m which is a reduction of £75m from its value of £1,560.1m as at 30 September 2018.



3.6. The fund outperformed the benchmark this quarter by posting a return of -4.91% against benchmark return of -5.38%. The twelve month period sees the fund slightly behind its benchmark by -0.07%, as shown on the graph above.

MANAGER PERFORMANCES

- 3.7 The Fund underperformed its benchmark return of -5.38% by 0.47% for the quarter. For this quarter, five mandates matched or achieved returns above the set benchmark. The six that did not reach the benchmarks were the mandates with LCIV RF (AR), LCIV BG (DGF), LCIV CQS (MAC), LCIV BG (GA), GSAM and Insight.
- 3.8 For the twelve months to December 2018, the Fund returned -0.73% slightly underperforming the benchmark of -0.66%, the Fund is behind its benchmark by -0.07%. Four mandates underperformed their respective benchmark. The mandates that underperformed their respective benchmarks were LCIV RF lagged behind by -6.44%, LCIV BG (DGF) lagged behind by -5.53%, GSAM lagged behind by -7.40% and Insight by -9.98%.
- 3.9 Looking at the longer term performance, the three years return for the Fund was 9.13%, which was 0.87% per annum ahead of the benchmark return. Over the five years, the Fund posted a return of 7.50% outperforming the benchmark return of 7.21% by 0.29% per annum.
- 3.10 The performance, net of fees of the individual managers relative to the appropriate benchmarks over the past five years is as set out in the table below. Each manager provides a report of the performance of their respective mandate and these are summarised as set out in Appendix 1 of this report.

Managers Investment Performance relative to benchmark as at 31 December 2018

		LCIV (BG) Global Equity	LGIM Low Carbon Global Equity	LGIM Hedged Global Equity	LGIM Unhedged Global Equity	Schroder Property	GSAM Absolute Return Bond	Insight Absolute Return Bond	LGIM & Schroder Index Linked	LCIV (CQS) MAC	LCIV (BG) DGF	LCIV (Ruffer) DGF	Total Fund
Quarter %	<i>Fund</i>	(12.5)	(13.4)	(12.5)	(10.5)	0.9	(0.7)	(1.5)	1.9	(2.0)	0.1	(0.3)	(4.9)
	<i>Benchmark</i>	(10.7)	(13.4)	(12.8)	(10.5)	0.9	1.2	1.2	2.0	1.2	1.0	1.0	(5.4)
	<i>Relative</i>	(1.8)	0.0	0.2	0.0	(0.0)	(1.9)	(2.7)	(0.1)	(3.2)	(0.9)	(1.3)	0.5
12 month %	<i>Fund</i>	(4.1)	(8.1)	(8.1)	(3.3)	8.1	(2.6)	(5.1)	0.8	N/A	1.2	2.0	(0.7)
	<i>Benchmark</i>	(3.7)	(8.4)	(8.7)	(3.4)	6.6	4.9	4.9	(0.4)	N/A	3.7	3.7	(0.7)
	<i>Relative</i>	(0.4)	0.3	0.6	0.1	1.6	(7.4)	(10.0)	1.2	N/A	(2.5)	(1.7)	(0.1)
3 years (% p.a)	<i>Fund</i>	13.7	N/A	N/A	N/A	7.5	N/A	N/A	9.6	N/A	4.9	5.2	9.1
	<i>Benchmark</i>	11.9	N/A	N/A	N/A	6.5	N/A	N/A	9.2	N/A	3.5	3.5	8.3
	<i>Relative</i>	1.8	N/A	N/A	N/A	1.0	N/A	N/A	0.4	N/A	1.4	1.7	0.9
5 years (% p.a)	<i>Fund</i>	12.1	N/A	N/A	N/A	10.0	N/A	N/A	9.6	N/A	4.6	4.3	7.5
	<i>Benchmark</i>	9.9	N/A	N/A	N/A	9.7	N/A	N/A	9.3	N/A	3.5	3.5	7.2
	<i>Relative</i>	2.2	N/A	N/A	N/A	0.3	N/A	N/A	0.3	N/A	1.0	0.7	0.3

3.11 The graph below demonstrates the volatility and cyclical nature of financial markets relating to the fund's investment holdings. Over the three year period shown in the graph, the outcomes are within the range of expectations used by the Fund actuary in assessing the funding position. The Fund can take a long term perspective on investment issues principally because a high proportion of its pension liabilities are up to sixty years in the future.

3.12 The managers, mandate and portfolios held under management are set out below. The Fund was valued at £1,485million as at 31 December 2018. This includes cash held and being managed internally (LBTH Treasury Management), this stands at 1% of the total assets value, this constitutes investment in money market fund (MMF) of £10m and £6.07m working capital of the Fund.

Manager	Mandate	Value at 31st Dec 2018 £m	Strategic Weight of FM AUM*	Actual Weight of FM AUM	(Under)/ Over Weight Target	Date Appointed
L & G Index Linked-Gilts	UK Index Linked	0	0.00%	0.00%	0.00%	02-Aug-10
L & G Unhedged Global Equity	Global Equity	76.498	5.00%	5.15%	0.15%	10-Dec-17
L & G Hedged Global Equity	Global Equity	20.416	1.00%	1.37%	0.37%	10-Dec-17
L & G Low Carbon Global Equity	Global Equity	217.965	15.00%	14.67%	-0.33%	10-Dec-17
Legacy portfolio	Global Equity	0.08	0.00%	0.01%	0.01%	
LCIV BG (Global Equity)	Global Equity	307.769	20.00%	20.72%	0.72%	05-Apr-07 22 Apr 2016**
LCIV BG (Diversified Growth)	Absolute Return	128.911	10.00%	8.68%	(1.32%)	22-Feb-11
LCIV Ruffer (Total Return Fund)	Absolute Return	126.591	10.00%	8.52%	(1.48%)	08-Mar-11
LCIV CQS (Multi Asset Credit)	Multi Asset Credit	89.433	6.00%	6.02%	0.02%	29-May-18
GSAM	Bonds	51.183	3.00%	3.45%	0.45%	04-Apr-16
Insights	Bonds	47.086	3.00%	3.17%	0.17%	01-Jul-16
Schroder	Property	160.743	12.00%	10.82%	-1.18%	30-Sep-04
Schroder	Equity Protection Strategy	242.591	15.00%	16.33%	1.33%	06-Sep-18
Internal cash Management	Cash	16.071	0.00%	1.08%	1.08%	N/A
Total		1,485.337	100.00%	100.00%	0.00%	

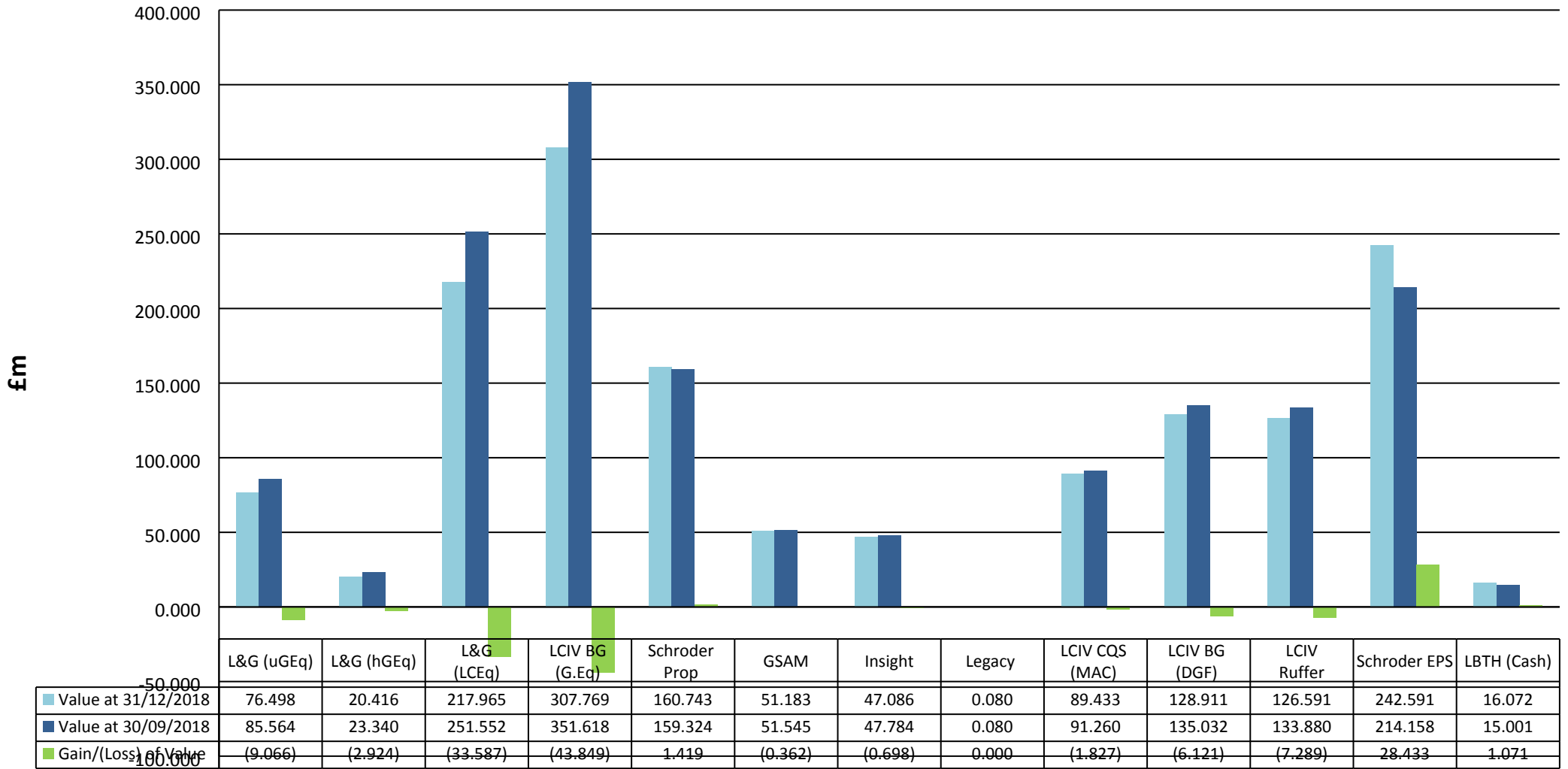
* FM AUM is Fund Asset under Management with a Fund Manager

**The date asset ownership was transferred from LBTH Pension Fund to LCIV for management under the pooling arrangements.

3.13 The Committee agreed in February 2018 to pursue an equity protection strategy, in view of the significant and unexpected gains in global equity markets since the 2016 actuarial valuation. The aim of this is to protect the funding gains and reduce the risk of funding level deterioration which would otherwise result in an increased pension contribution requirement.

3.14 The graph below illustrates the portfolio value movement of each mandate for this quarter compared to the last quarter. The volatility of the equity markets can be seen with all the Fund equity portfolios depicting the unrealised losses of the fund for the reporting period except the equity protection strategy mandate with unrealised gains of £28m.

Fund Value by Manager as at 31 December 2018 compared to 30 September 2018



INTERNAL CASH MANAGEMENT

- 3.15 Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by LBTH to meet working cashflow requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.
- 3.16 The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2018, which is delegated to the Corporate Director, Resources to manage on a day to day basis within the agreed parameters.
- 3.17 The cash balance as at 31 December 2018, was £16.072m this constitutes investment in money market fund (MMF) of £10m and £6.07m working capital of the Fund.

ASSET ALLOCATION

- 3.18 The current benchmark of asset distribution and the fund position at 31 December 2018 are set out below:

Asset Class	Benchmark as at 21 September 2017	Fund Position as at 31 December 2018	Variance as at 31 December 2018
Global Equities	50.0%	43.6%	(6.4)%
Total Equities	50.0%	43.6%	(6.4)%
Property	12.0%	10.8%	(1.2)%
Pooled Bonds	6.0%	16.2%	10.2%
UK Index Linked	6.0%	5.0%	(1.0)%
Alternatives	26.0%	23.3%	(2.7)%
Cash	0.0%	1.1%	1.1%
Total Equities	100.0%	100.0%	

- 3.19 The constituents of alternatives in the above table are total return fund (10%), diversified growth fund (10%) and multi asset credits fund (6%). The pooled bond funds also include UK government bonds (less than 3-year maturity) to be used as collateral to cover margin requirements under the protection contracts. The protection contracts require daily margin movements to cover gains or losses to or against the Equity Protection Fund. The Fund must have collateral fund not less than 30% of the strategy implemented.
- 3.20 The table above indicates the Fund is overweight by 1.0% in Cash and 10.2% in Pooled Bonds; but the Fund has underweight position of 6.4% in Global Equities, Property underweight position of 1.2%, and Alternatives is underweight by 2.7%. The underweight position of the global equities position and the overweight position of Pooled Bonds are due to the Fund investments in equity Protection Strategy. Officers are arranging rebalancing of portfolios between March and April 2019.
- 3.21 Asset allocation is determined by a number of factors including:-
- The risk profile. Generally there is a trade-off between the returns obtainable on investments and the level of risk. Equities have higher potential returns but this is achieved with higher volatility. However, as the Fund remains open to new members and able to tolerate this it can seek long term benefits of the increased returns.

- ii) The age profile of the Fund. The younger the members of the Fund, the longer the period before pensions become payable and investments have to be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.
- iii) The deficit recovery term. Most LGPS funds are in deficit because of falling investment returns and increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. The actuary has set a twenty year deficit recovery term for this Council which enables a longer term investment perspective to be taken.

3.22 Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 This is a noting report which fulfils the requirement to report quarterly performance of the Pension Fund investments portfolio to the Pensions Committee. There are no direct financial implications arising from this report, however the long term performance of the pension fund will impact upon pension contribution rates set by the Committee.

5. LEGAL COMMENTS

5.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 govern the way in which administering authorities should manage and make investments for the fund. There are no longer explicit limits on specified types of investment and instead administering authorities should determine the appropriate mix of investments for their funds. However, administering authorities must now adhere to official guidance; broad powers allow the Government to intervene if they do not. Under regulation 8, the Secretary of State can direct the administering authority to make changes to its investment strategy; invest its assets in a particular way; that the investment functions of the authority are exercised by the Secretary of State and that the authority complies with any instructions issued by the Secretary of State or their nominee.

5.2 The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

5.3 The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.

5.4 One of the functions of the Pensions Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

5.5 When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.

6.2. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

7.1. This report helps in addressing value for money through benchmarking the Council's performance against the WM Local Authority Universe of Funds.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1. There is no Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1. Any form of investment inevitably involves a degree of risk.

9.2. To minimise risk the Investment Panel attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1. There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

- Appendix 1 – Northern Trust Performance Review Report
- Appendix 2 - LCIV Sub-Funds Quarterly Report
- Appendix 3 – GSAM Investment Review for the Quarter
- Appendix 4 – Insight Investment Review for the Quarter
- Appendix 5 – LGIM Investment Review for the Quarter
- Appendix 6 – Schroders Property Investment Review for the Quarter

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

Officer contact details for documents:

- Bola Tobun Investment & Treasury Manager x4733