

Non-Executive Report of the: Pensions Committee 22 September 2020	 TOWER HAMLETS
Report of Neville Murton, Corporate Director, Resources	Classification:
Independent Investment Adviser Update – Q2	

Originating Officer(s)	Miriam Adams, Pensions & Investments Manager
Wards affected	All wards

Summary

This report informs members of the market performance of the economic environment in which the Pension Fund investments operates in as well as fund manager performance during the quarter.

Recommendations

The Pensions Committee is recommended to;

- Note the Independent Adviser quarterly commentary (Appendix A);

1. **REASONS FOR THE DECISION**

- 1.1 The report informs the Pensions Committee of key economic and market issues relating to the fund's investment managers and the market they operate in.

2. **ALTERNATIVE OPTION**

- 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 to those charged with governance of the Fund on a regular basis.

3. **DETAILS OF REPORT**

- 3.1 The Pension Fund Regulations require that the Council as administering authority establishes arrangements for monitoring the investments of the Fund.
- 3.2 It considers the activities of the investment managers including the CIV and ensures that proper advice is obtained on investment issues. (Appendix A)

The Fund's investment adviser prepares quarterly detailed investment performance reports on the Fund's investment and manager performance.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 The Council as Administering Authority has the responsibility of ensuring that the Pension Fund is administered effectively and efficiently and that arrangements for financial management are properly scrutinised.
- 4.2 This is a noting report which fulfils the requirement to report quarterly performance of the Pension Fund investments portfolio to those charged with governance. There are no direct financial implications arising from this report, however the long-term performance of the Pension Fund will impact employer 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.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 This report helps in addressing value for money through benchmarking the Council's performance PIRC 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 Pensions Committee attempts to achieve a diversified 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 A – Independent Adviser's Quarterly Report

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

List of "Background Papers" used in the preparation of this report

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