Havering
LONDON BOROUGH

PENSIONS COMMITTEE
13 DECEMBER 2016

Subject Heading:	**PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED SEPTEMBER 2016**
SMT Lead:	**Deborah Middleton**
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Policy context:	Pension Fund Managers' performances are regularly monitored in order to ensure that the investment objectives are being met.
Financial summary:	This report comments upon the performance of the Fund for the period ended 30 September 2016

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[]
People will be safe, in their homes and in the community	[]
Residents will be proud to live in Havering	[x]

SUMMARY

This report provides the Committee with an overview of the performance of the Havering Pension Fund investments for the quarterly period to 30 September 2016. The performance information is taken from the Quarterly Performance Report supplied by each Investment Manager, the WM Company Quarterly Performance Review Report and Hymans Monitoring Report.

The net return on the Fund's investments for the **quarter** to 30 September 2016 was **6.7%.** This represents an outperformance of **2.5%** against the

tactical benchmark and represents an outperformance of **1.8%** against the strategic benchmark.

The overall net return of the Fund's investments for the **year** to 30 September 2016 was **16.2%.** This represents an outperformance of **2.6%** against the tactical combined benchmark and under performance of **-7.9%** against the annual strategic benchmark. The annual strategic benchmark is a measure of the fund's performance against a target based upon gilts + 1.8% (the rate which is used in the valuation of the funds liabilities). The implications of this shortfall are discussed further in paragraphs 1.2 and 1.3 below.

It is now possible to measure the individual managers' annual return for the new tactical combined benchmark since they became active on the 14th February 2005. These results are shown later in the report.

RECOMMENDATIONS

That the Committee:

1) Considers Hymans performance monitoring report and presentation (Appendix A).
2) Receive a presentation from the Fund's UK/Global Equities Passive Manager (State Street Global Assets), Multi-Asset Manager (GMO Global Real Return) and the Fund's pooling operator (London CIV).
3) Notes the summary of the performance of the Pension Fund within this report.
4) Considers the quarterly reports provided by each investment manager.
5) Considers and notes any Corporate Governance issues arising from voting as detailed by each manager.
6) Considers any points arising from officer monitoring meetings (section 4 refers).
7) Notes the analysis of the cash balances (paragraphs 2.2 and 2.3 refers).

REPORT DETAIL

1. Background

1.1 The Investment Strategy was fully reviewed during 2012/13 and this report reflects those structure decisions and any subsequent changes. The Fund is still considering options for an investment in Local Infrastructure.

1.2 A strategic benchmark has been adopted for the overall Fund of Gilts + 1.8% (net of fees) per annum. This is the expected return in excess of the fund's liabilities over the longer term. The strategic benchmark measures the extent to which the fund is meeting its longer term objective of reducing the funds deficit. This current shortfall is driven by the historically low level of interest rates which drive up the value of gilts (and consequently the level of the fund liabilities). Whether interest rates will remain at those levels for the longer term and the implications for the Fund's Investment strategy is a matter which will need to be considered at the time of the next actuarial review.

1.3 Our Investment Advisors have stated that there are things that could have been done to protect the fund against falling interest rates (e.g. hedging) but they do not believe that this action would have been appropriate. The Fund is already partially protected through its investments with Royal London and given the long term nature of the fund they believe that the fund objective of pursuing a stable investment return remains appropriate. They also note that although the value placed on the liabilities has risen as a result of falling yields, inflation and expectations of future inflation has fallen meaning that the actual benefit cash flows expected to be paid from the fund will be lower.

1.4 Individual manager performance and asset allocation will determine the out performance against the strategic benchmark. Each manager has been set a specific (tactical) benchmark as well as an outperformance target against which their performance will be measured. This benchmark is determined according to the type of investments being managed. This is not directly comparable to the strategic benchmark as the majority of the mandate benchmarks are different but contributes to the overall performance.

1.5 The following table reflects the asset allocation split :

Asset Class	Target allocation	Investment Manager/ product	Segregated /pooled	Active/ Passive	Benchmark and Target
UK/Global Equity	12.5%	LCIV Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All Countries Index plus 2.5%
	6.25%	State Street Global Asset	Pooled	Passive	FTSE All World Equity Index
	6.25%	State Street Global Asset	Pooled	Passive	FTSE RAFI All World 3000 Index
Multi Asset Strategy	15%	LCIV Baillie Gifford (Diversified Growth Fund)	Pooled	Active	UK Base Rate plus 3.5%
	20%	GMO Global Real return (UCITS)	Pooled	Active	OECD CPI g7 plus 3 - 5%
Absolute Return	15%	LCIV Ruffer	Pooled	Active	LIBOR+

Asset Class	Target allocation	Investment Manager/ product	Segregated /pooled	Active/ Passive	Benchmark and Target
Property	5%	UBS	Pooled	Active	IPD All balanced (property) Fund's median +
Gilt/Investment Bonds	17%	Royal London	Segregated	Active	• 50% iBoxx £ non- Gilt over 10 years • 16.7% FTSE Actuaries UK gilt over 15 years • 33.3% FTSE Actuaries Index-linked over 5 years. Plus 1.25%*
Infrastructure	3%	State Street Global Assets –Sterling liquidity Fund Cash is invested pending identification of a local infrastructure project.			

*0.75% prior to 1 November 2015

1.6 UBS, SSgA, GMO, Ruffer and Baillie Gifford manage the assets on a pooled basis. Royal London manages the assets on a segregated basis. Both the Baillie Gifford mandates and the Ruffer mandate are now operated via the London Collective Investment Vehicle (CIV). Performance is monitored by reference to the benchmark and out performance target. Each manager's individual performance is shown in this report with a summary of any key information relevant to their performance.

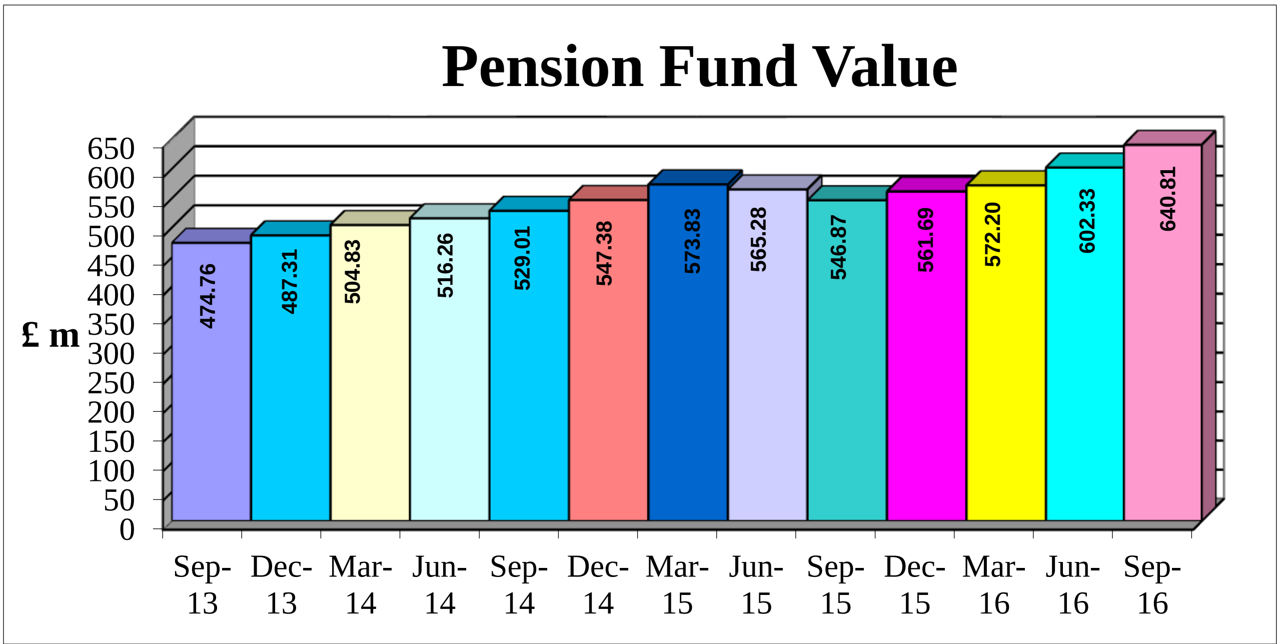
1.7 Since 2006, to ensure consistency with reports received from our Performance Measurers, Investments Advisors and Fund Managers, the 'relative returns' (under/over performance) calculations has been changed from the previously used arithmetical method to the industry standard geometric method (please note that this will sometimes produce figures that arithmetically do not add up).

1.8 Existing Managers are invited to present at the Pensions Committee Meeting every six months. On alternate dates, they meet with officers for a formal monitoring meeting. The exception to this procedure are the pooled Managers (SSgA, UBS, Baillie Gifford, Ruffer and GMO) who will attend two meetings per year, one with Officers and one with the Pensions Committee. However if there are any specific matters of concern to the Committee relating to the Managers performance, arrangements will be made for additional presentations.

1.9 Hyman's performance monitoring report is attached as an exempt report**.**

2. Fund Size

2.1 Based on information supplied by our performance measurers the total combined fund value at the close of business on 30 September 16 was **£640.81m**. This valuation differs from the basis of valuation used by our Fund Managers and our Investment Advisor in that it excludes accrued income. This compares with a fund value of £602.33m at the 30 June 16; an **increase** of **£38.48m**. The movement in the fund value is attributable to an increase in assets of £40.37m and a reduction in cash of (£1.89m). The internally managed cash level stands at **£13.66m** of which an analysis follows in this report.



Source: WM Company (Performance Measurers)

2.2 An analysis of the internally managed cash balance of **£13.66m** follows:

CASH ANALYSIS	**2014/15 31 Mar 15**	**2015/16 31 Mar 16 Updated**	**2016/17 30 Sep 16**
	£000's	£000's	£000's
Balance B/F	**-5661**	**-7599**	**-12924**
Benefits Paid	33568	35048	17969
Management costs	1600	1754	609
Net Transfer Values	-135	518	1581
Employee/Employer Contributions	-35306	-42884	-22576

Cash from/to Managers/Other Adj.	-1618	306	1725
Internal Interest	-47	-67	-47
Movement in Year	**-1938**	**-5325**	**-739**
Balance C/F	**-7599**	**-12924**	**-13663**

2.3 Members agreed the updated cash management policy at its meeting on the 15 December 2015. The policy sets out that the target cash level should be £5m but not fall below the de-minimus amount of £3m or exceed £6m. This policy includes drawing down income from the bond and property manager when required.

2.4 The cash management policy also incorporates a threshold for the maximum amount of cash that the fund should hold and introduced a discretion that allows the Chief Executive to exceed the threshold to meet unforeseeable volatile unpredictable payments.

3. Performance Figures against Benchmarks

3.1 The overall net performance of the Fund against the new **Combined Tactical Benchmark** (the combination of each of the individual manager benchmarks) follows:

	Quarter to 30.06.16	**12 Months to 30.06.16**	**3 Years to 30.06.16**	**5 years to 30.06.16**
Fund	6.7%	16.2%	9.0%	11.4%
Benchmark	4.1%	13.3%	8.6%	10.0%
*Difference in return	2.5%	2.6%	0.4%	1.3%

Source: WM Company

**Totals may not sum due to geometric basis of calculation and rounding.*

3.2 The overall net performance of the Fund against the **Strategic Benchmark** (i.e. the strategy adopted of Gilts over 15 years + 1.8% Net of fees) is shown below:

	Quarter to 30.09.16	**12 Months to 30.09.16**	**3 Years to 30.09.16**	**5 years to 30.09.16**
Fund	6.7%	16.2%	9.0%	11.4%
Benchmark	4.8%	26.1%	19.1%	14.0%
*Difference in return	1.8%	-7.9%	-8.5%	-2.3%

Source: WM Company

**Totals may not sum due to geometric basis of calculation and rounding.*

3.3 The following tables compare each manager's performance against their **specific (tactical) benchmark** and their **performance target** (benchmark plus the agreed mandated out performance target) for the current quarter and the last 12 months.

QUARTERLY PERFORMANCE (AS AT 30 SEPTEMBER 2016)

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark	Target	Performance vs Target
Royal London	8.39	8.73	**-0.34**	9.04	**-0.65**
UBS	-1.41	-0.68	**-0.73**	n/a	**n/a**
LCIV/Ruffer*	6.94	0.00	**6.94**	n/a	**n/a**
SSgA Global Equity	8.43	8.45	**-0.02**	n/a	**n/a**
SSgA Fundamental Index	9.12	9.25	**-0.13**	n/a	**n/a**
SSgA Sterling Liquidity Fund	0.12	0.05	**0.07**	n/a	**n/a**
LCIV/Baillie Gifford (Global Alpha Fund)	12.10	7.85	**4.25**	9.48	**3.67**
LCIV/Baillie Gifford (DGF)*	4.69	0.00	**4.69**	n/a	**n/a**
GMO	3.17	-0.02	**3.19**	n/a	**n/a**

Source: WM Company, Fund Managers and Hymans

- Totals may not sum due to geometric basis of calculation and rounding.
- * Absolute Return and not measured against a benchmark

ANNUAL PERFORMANCE (LAST 12 MONTHS)

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark	Target	Performance vs Target
Royal London	22.57	23.87	**-1.30**	25.12	**-2.55**
UBS	3.89	3.35	**0.54**	n/a	**n/a**
LCIV/Ruffer	n/a	n/a	**n/a**	n/a	**n/a**
SSgA Global Equity	31.14	31.22	**-0.08**	n/a	**n/a**
SSgA Fundamental Index	30.69	30.85	**-0.16**	n/a	**n/a**
SSgA Sterling Liquidity Fund	0.54	0.32	**0.22**	n/a	**n/a**
LCIV/Baillie Gifford (Global Alpha Fund)	n/a	n/a	**n/a**	n/a	**n/a**
LCIV/Baillie Gifford (DGF)	n/a	n/a	**n/a**	n/a	**n/a**
GMO	4.94	0.80	**4.14**	n/a	**n/a**

Source: WM Company, Fund Managers and Hymans

- Totals may not sum due to geometric basis of calculation and rounding.
- Ruffer not invested for entire period (inception LCIV 21/06/16)

- Baillie Gifford (DGF) not invested for entire period (inception LCIV 15/02/16)
- Baillie Gifford Global Alpha not invested for entire period (inception LCIV 11/04/16)

4. Fund Manager Reports

4.1. UK Investment Grade Bonds (Bonds Gilts, UK Corporates, UK Index Linked, UK Other) – (Royal London Asset Management)

a) In accordance with agreed procedures officers met with representatives from Royal London on the 03 November 2016 at which a review of their performance as at 30 September 16 was discussed

b) The value of the fund as at 30 September 16 increased by £11.43m on the previous quarter.

c) The fund achieved a net return of 8.39% during the quarter and under-performed the benchmark for the quarter by -0.34%. Royal London under-performed the benchmark over the one and three year period by --1.3% and -0.12% respectively and ahead of benchmark over five and ten year periods, with relative returns of 0.81% and 0.51% respectively. Since inception they outperformed the benchmark by 0.49%

d) The dominant themes of the quarter were uncertainty over the impact of the Brexit result and concerns over the economic effect of the US presidential election. The Bank of England announced a cut in interest rates and new quantitative easing, incorporating purchases of both corporate and government bonds

e) Royal London reported on market events during the quarter:

- Government bonds (gilts) - Quantitative easing in developed markets along with a cut in interest rates in the UK base rate helped push Gilts to record low yields, however yield moves were reversed in September ending quarter 3 broadly unchanged. UK Gilts out performed overseas counterparts.

- Index linked gilts - Brexit concerns along with quantitative easing and a weaker pound fuelled demand. Long dated real yields fell to record lows. The UK outperformed its global counterparts, with real yield differentials rising to record highs. UK CPI inflation rose marginally, but remains well below the Bank of England’s 2% inflation target, but depreciation in sterling should result in a sharp pickup in inflation, with expectations that it will rise above target in the next 18 months.

- Investment grade sterling credit bonds - The reversal of the knee jerk risk aversion following the Brexit result, showed the strongest quarterly return since 2009. This was supported by the Bank of England's announcement to commence a corporate bond purchase scheme as part of the latest round of quantitative easing. The full implications of Brexit are still not clear but with liquidity remaining low this provides opportunities and challenges. Stock specific risk has increased. Credit bonds are now undervalued relative to government bonds; portfolio diversification continues to be important during bouts of volatility.

f) Asset Allocation within the portfolio was 51% Conventional credit bonds, 29.6% Index linked sovereign bonds (including overseas index linked bonds), 11.6% Sterling conventional gilts, 7.2% RL Sterling extra yield bond fund, 0.2% overseas conventional credit bonds and 0.4% in cash.

g) There have only been small portfolio changes during the quarter, the portfolio remains overweight in conventional credit bonds and remains underweight in sterling conventional gilts and index linked sovereign bonds.

h) The relative fund performance over the quarter was again a result of stock selection, yield curve and duration positioning.

- Royal London maintained their underweight exposure to government bonds in favour of corporate bonds this quarter. Credit spreads, the average yield premium of credit bonds over UK government bond yields narrowed as risk sentiment recovered following the initial aversion following the Brexit result. This aspect of asset allocation had a positive impact upon fund performance.

- Royal London held an underweight position in government bonds through conventional gilts, with a preference for index linked government bonds. Index linked outperformed conventional gilts as investors sought inflation protection against a backdrop of uncertainty and a weak currency. The preference for index linked bonds had a positive impact over the quarter.

- Off-benchmark overseas government bond positions detracted from performance. Royal London held US, Australian, Canadian and French bond. Overseas bonds initially outperformed, but then a combination of increased pension fund demand and the announcement of further monetary easing in the UK lead to outperformance of UK bonds in August, stabilising in September.

- Exposure was maintained to the Royal London Sterling Extra Yield Bond Fund, this was detrimental to performance on account of its short duration.

- Overall fund duration remained below that of the benchmark. The short duration position was a significant negative factor in relative performance.

i) The Bank of England nominal gilt curve currently implies that it could take interest rates nearly 5 years to surpass 1%, suggesting that a low yield environment may last for some time to come. A short duration position has historically been taken to benchmark. Royal London believes that UK base rates will not rise for at least 2 years but they do not envisage a negative interest rate in the UK. They do not expect to change the overweight short duration position. Their gilt yield forecast is that they expect 10 year bonds to rise by 10-20 base points in the next 6-12 months, 20-30 year bonds may raise more; they said that longer dated bonds are overvalued and yields are too low.

j) We asked Royal London what they feel the potential risks are faced by debt markets as the Brexit negotiations progress, they said that the portfolios remain positioned for a medium to longer-term view that the global economic situation will continue to improve; they believe that government bond yields will rise, but positioning in portfolios will continue to be tactically managed amid high levels of volatility. We believe credit bonds will outperform government bonds and that portfolios should focus on security of cash flows and the delivery of stable and attractive returns over the medium to long term

k) We asked Royal London what progress has been made on the development of the Multi-Asset Credit Launch and when do you anticipate this being launched, they said that they were on track they have appointed a new fund manager, a senior credit analyst and two credit analysts ahead of the planned launch early next year.

l) No governance or whistle blowing issues were reported

4.2. Property (UBS)

a) In accordance with agreed procedures officers will only meet with representatives from UBS once in the year with the other meeting to be held with members. UBS last met with the members of the Pension Committee on the 15 March 2016 at which they covered the period ending up to 31 December 2016. Officers last met with representatives from UBS on the 24 August 2016 at which a review of their performance as at 30 June 16 was discussed. UBS are scheduled to present to the committee at the 14 March 2017 meeting.

b) The value of the fund as at 30 September 2016 decreased by £0.45m since the previous quarter.

c) UBS delivered a net return of -1.41% over the quarter, underperforming the benchmark by 0.73%. The Fund is ahead of the benchmark over the year by 0.54% and 1.1% over 3 years. But is behind over the five year period to September 2016 by -2.12%.

4.3. Multi Asset Manager (Ruffer)

a) In accordance with agreed procedures officers will only meet with representatives from Ruffer once in the year with the other meeting to be held with members. Ruffer last met with the members of the Pension Committee on the 20 September 2016 at which they covered the period ending up to 30 June 2016. Officers last met with representatives from Ruffer on the 4 February 2016 at which a review of their performance as at 31 December 16 was discussed.

b) £70.7m of assets were transferred to the London CIV on the 21 June 2016. The residual assets of £1.3m were transferred on the 31 August 2016.

c) The London CIV will oversee the monitoring and review of the performance of this mandate. However Ruffer has stated that they will continue with the existing monitoring arrangements and meet with the Committee to report on its own performance.

d) The value of the fund as at 30 September 16 increased by £5.05m on the previous quarter.

e) The investment objective of the sub-fund is to achieve low volatility and positive returns in all market conditions from an actively managed portfolio of equities or equity related securities (including convertibles), corporate and government bonds and currencies. Capital invested in the sub-fund is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods

f) Ruffer delivered a return of 6.94% (net of fees) over the quarter. The mandate is an Absolute Return Fund (measures the gain/loss as percentage of invested capital) and therefore is not measured against a benchmark. Capital preservation is a fundamental philosophy of the Fund

4.4. Passive Equities Manager (SSgA)

a) Representatives from SSgA are due to make a presentation at this Committee therefore a brief overview of their performance as at 30 September 2016 follows

b) The SSgA mandate is now split into three components, Sterling Liquidity sub fund, SSgA All World Equity Index sub fund, and the Fundamental Index Global Equity sub fund.

c) Value of the three mandates within the fund has increased by £6.88m in total since the last quarter.

d) SSGA has performed in line with the benchmark over the latest quarter, as anticipated from an index-tracking mandate.

4.5. Global Equities Manager (Baillie Gifford)

a) In accordance with agreed procedures officers met with representatives from Baillie Gifford on the 4 February 2016 at which a review of their performance as at 31 December 15 was discussed.

b) This mandate transferred to the London CIV on the 11 April 2016.

c) The London CIV will oversee the monitoring and review of the performance of this mandate and representatives from the London CIV are due to make a presentation at this Committee therefore a brief overview of their performance as at 30 September 2016 follows.

d) The value of the fund increased by £10.82m over the last quarter.

e) The Global Alpha Fund delivered a net return of 12.10% over the quarter, outperforming the benchmark by 4.25%. Since inception with the London CIV the fund returned 19.77% outperforming the benchmark by 2.41%.

4.6. Multi Asset Manager (Baillie Gifford Diversified Growth Fund)

a) In accordance with agreed procedures officers met with representatives from Baillie Gifford on the 4 February 2016 at which a review of their performance as at 31 December 15 was discussed.

b) This mandate was transferred to the London CIV on the 15 February 2016.

c) The London CIV will now oversee the monitoring and review of the performance of this mandate and representatives from the London CIV are due to make a presentation at this Committee therefore a brief overview of their performance as at 30 September 2016 follows.

d) The value of the fund increased by £3.57m over the last quarter.

e) The Global Alpha Fund delivered a return of 4.69% (net of fees) over the quarter and 9.4% since inception. The mandate is an Absolute Return Fund (measures the gain/loss as percentage of invested capital) and therefore is not measured against a benchmark.

4.7. Multi Asset Manager (GMO – Global Real Return (UCITS) Fund)

a) In accordance with agreed procedures officers will only meet with representatives from GMO once in the year with the other meeting to be held with members. Officers met with representatives from GMO on the 3 November 2016, at which a review of their performance as at 30 September 16 was discussed. GMO last met with the members of the Pension Committee on the 16 June 2016 at which they covered the period ending up to 31 March 2016. At the request of GMO and the Committee, representatives from GMO will also make a presentation at this Committee, following concerns over performance.

b) The value of the fund increased by £3.06m over the last quarter.

c) The fund achieved a net return of 3.17% during the quarter and outperformed the benchmark for the quarter by 3.19%. Over the last 12 months GMO delivered a return of 4.94% outperforming the benchmark by 4.14%, and underperforming against inception by -1.70%.

d) The GMO investment is in a dynamic multi-asset fund, the GMO Global Real Returns UCITS Fund (GRRUF) and targets a return of CPI+5% (net of fees) over a full 7 year cycle. The Fund invests globally in equities, debt, money market instruments, currencies, instruments relating to commodities indices, REITS and related derivatives.

e) GMO philosophy is to buy undervalued assets with a long term view to assets returning to fair value.

f) The asset allocation within the portfolio was 43% Equities, 15% Alternative strategies, 7% Fixed Income and 35% Cash/Cash Plus.

g) The main portfolio’s change was a 10% increase in cash/cash plus. The movements in cash being from Fixed Income, GMO sold holdings in U.S. Treasury Inflation Protected Securities (TIPS) earlier in the year, which they felt had reached full value, so sold to take advantage of this, adding value to the fund.

h) The main performance contributor was emerging market equities, GMO said the portfolio reflected what was happening in the markets and world today. Last year's negative performance was driven by going into emerging markets too early, but their decision to remain has been shown to be the right one.

i) The Equity portfolio returned 6.3% for the quarter, contributing 2.9% to returns at the total portfolio level. Contributors were very broad based, including Semiconductors and Electronics in Taiwan, Financial and Information Technology in China, Financials in Korea (Samsung) and South Africa and Utilities and Financials in Brazil. In the US and Quality allocations, the contributions were mainly from the Information Technology sector, including Qualcomm, Microsoft, Apple IBM and Cisco.

j) Alternative Strategies returned 2% for the quarter, contributing 0.3% to returns at total fund level. Alternative Strategies represents diversifying ways to generate returns and are less sensitive to rising rates than stocks and bonds.

k) Cash had little impact on the portfolio performance this quarter.

l) As the allocation to cash at the end of this quarter represents 35% of the fund's assets we asked GMO if there is opportunity costs associated with retaining assets in cash and how long were they prepared to wait for opportunities to arise. They said that Cash represents an important 'dry powder' asset in an investment environment offering limited investment opportunity; they are prepared to be patient and wait quite a while for more favourable conditions in the investment market.

m) We asked GMO if they were concerned about any short term market fluctuations which may follow the US presidential election, and what steps have they made to protect the fund. GMO said that they don't have much exposure in the US, but if the markets fell they could use this opportunity to spend some of the cash allocation.

n) Given the fund will have an effective obligation to become a signatory to the UK Stewardship Code, we asked GMO to provide an overview of their Environmental, Social & Governance (ESG) principles and how they are incorporated into their investment process? GMO have not signed up to the UK Stewardship Code but said that they are in line with the principles of the code. They said that they do consider ESG principles which advise their investment decisions and have strong ESG screens on all elements of the portfolio. They also mentioned that they are looking to implement a Climate Change Fund at the end of next year. We asked how they exercise voting and engagement activity in relation to the equity assets held in the portfolio and they said that they outsource their voting policy and have a compliance team that review this regularly.

o) We asked GMO if there had been any further developments regarding them joining the London Collective Investment Vehicle (CIV). GMO said they are continuing to have discussions with the CIV, but the constraint to them qualifying to be considered is still that their management fees are too high. They are looking to see if they can develop a fund that would incur lower management fees but are not sure what this would look like at this stage.

p) No governance or whistle blowing issues were reported.

5. Corporate Governance Issues

The Committee, previously, agreed that it would:

1. Receive quarterly information from each relevant Investment Manager, detailing the voting history of the Investment Managers on contentious issues. This information is included in the Managers' Quarterly Reports, which will be distributed to members electronically.

2. Receive quarterly information from the Investment Managers, detailing new Investments made.

   - Points 1 and 2 are contained in the Managers' reports.

3. Voting – Where the fund does not hold a pooled equity holding, Members should select a sample of the votes cast from the voting list supplied by the managers (currently only Ruffer) which is included within the quarterly report and question the Fund Managers regarding how Corporate Governance issues were considered in arriving at these decisions.

This report is being presented in order that:

- The general position of the Fund is considered plus other matters including any general issues as advised by Hymans.

- Hymans will discuss the managers' performance after which the particular manager will be invited to join the meeting and make their presentation. The managers attending the meeting will be from:

  GMO (Multi Asset Manager), London CIV pooling operator (Baillie Gifford Global Alpha and Baillie Gifford (DGF) mandates) and State Street Global Assets (Passive Equities)

- Hymans and Officers will discuss with Members any issues arising from the monitoring of the other managers.

IMPLICATIONS AND RISKS

Financial implications and risks:

Pension Fund Managers’ performances are regularly monitored in order to ensure that the investment objectives are being met and consequently minimise any cost to the General Fund

Legal implications and risks:

None arising directly

Human Resources implications and risks:

There are no immediate HR implications. However longer term, shortfalls may need to be addressed depending upon performance of the fund.

Equalities implications and risks:

None arising that directly impacts on residents or staff.

BACKGROUND PAPERS

Royal London Quarterly report to 30 September 2016
UBS Quarterly report to 30 September 2016
Ruffer Quarterly report 30 September 2016
State Street Global Assets report to 30 September 2016
Baillie Gifford Quarterly Reports 30 September 2016
GMO Quarterly Report 30 September 2016
The WM Company Performance Review Report to 30 September 2016