

Report for: Pensions Committee 27th March 2017

Item number: 19

Title: Investment Strategy Review

Report authorised by: Tracie Evans, Chief Operating Officer (COO)

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1. At the 9 February Pensions Committee meeting, the committee agreed to commission a review of the pension fund's investment strategy, which would be conducted by the fund's Investment Consultant: Mercer.
- 1.2. This report brings back a report from Mercer highlighting possible changes to the fund's investment strategy, which committee members are encouraged to debate and consider in the committee meeting.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the committee consider the proposals outlined by Mercer in Confidential Appendix 1.
- 3.2. That the Committee considers whether further diversification of Fund assets is required at this stage and, if so, whether to implement any of the proposals outlined in Mercer's report.
- 3.3. The committee may decide to defer a formal decision to a future Committee meeting, and may request that training be arranged on any of the topics proposed in Mercer's report.
- 3.4. It is recommended that the Committee receives training on any new asset classes prior to investment.

4. Reason for Decision

- 4.1. Mercer has modelled a number of different options for the fund's investment strategy, as requested at the Committee meeting of 9 February.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The most important investment role for the Committee is the setting of an asset allocation strategy. This is the desired allocation to the various asset classes e.g. equities, bonds, property, cash etc. Different asset allocations will have different expected outcomes in terms of future returns and also the predictability of returns.
- 6.2. In setting the current strategy that has a high allocation to equities, whose values have a strong correlation with economic growth, the Committee is focused on funding the promised benefits primarily from investment returns while seeking to minimise / stabilise employer contributions. The Committee is required to keep the strategy under review considering the impact of funding levels and market conditions.
- 6.3. Mercer's report proposes a number of potential changes to the fund's investment strategy. The report discusses some topics that the Committee may be unfamiliar with. The Committee will need to be comfortable with any asset class before consideration is given to investing.

7. Contribution to Strategic Outcomes

- 7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. The Fund has enjoyed strong returns in recent years primarily from rising equity and index linked valuations. The Pension Committee responsibility is to look to the long term when setting an investment strategy, ensuring an appropriate degree of diversification.

8.2. The proposal to review the strategic allocations in light of the triennial valuation and high reliance on listed equities is supported.

Legal

8.3 The Council as administering authority for the Haringey Pension Fund has the power to invest fund monies as set out in Local Government Pension Scheme (Management & Investment Funds) Regulations 2016.

8.4 Any changes to the allocations must comply with the Pension Fund Investment Strategy Statement (the first of which must be published by 1 April 2017). This report recommends that training be provided about the different asset classes prior to any decision being made about asset allocations. There are no legal implications in respect of the recommendation.

Equalities

8.5 There are no equalities issues arising from this report

9. Use of Appendices

9.1. Confidential Appendix 1 – Investment Strategy Review

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.