

## NOTICE OF MEETING

# PENSIONS COMMITTEE AND BOARD

**Tuesday, 30th January, 2024, 7.00 pm - George Meehan House, 294 High Road, N22 8JZ (watch the live meeting [here](#) and watch the recording [here](#))**

**Members:** Councillors Ahmed Mahbub (Chair), John Bevan (Vice-Chair), Nick da Costa, Tammy Hymas, Thayahlan lyngkaran and Matt White

**Employer/Employee Representatives:** Ishmael Owarish, Keith Brown, Randy Plowright, Craig Pattinson.

John Raisin (Independent Adviser)

**Quorum:** 3

### 1. **FILMING AT MEETINGS**

Please note this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on. By entering the 'meeting room', you are consenting to being filmed and to the possible use of those images and sound recordings.

The Chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual, or may lead to the breach of a legal obligation by the Council.

### 2. **APOLOGIES**

To receive any apologies for absence.

### 3. **URGENT BUSINESS**

The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under item 3 below).

#### **4. DECLARATIONS OF INTEREST**

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when an individual:

- i) Has a responsibility or duty in relation to the management of, or provision of advice to, the LBHPF, and
- ii) At the same time, has:
  - a separate personal interest (financial or otherwise) or
  - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

At the commencement of the meeting, the Chair will ask all Members of the Committee and Board to declare any new potential conflicts and these will be recorded in the minutes of the meeting and the Fund's Register of Conflicts of Interest. Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting must advise the Chair prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity.

#### **5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

#### **6. RECORD OF TRAINING UNDERTAKEN SINCE LAST MEETING**

**Note from the Head of Legal and Governance (Monitoring Officer)**

When considering the items below, the Committee will be operating in its capacity as 'Administering Authority'. When the Committee is operating in its capacity as an Administering Authority, Members must have due regard to their duty as quasi-trustees to act in the best interest of the Pension Fund above all other considerations.

**7. MINUTES**

To confirm and sign the minutes of the Pensions Committee and Board meeting held on 6 September 2023 and 13 July 2023 as a correct record.

Report to follow.

**8. PENSION ADMINISTRATION UPDATE (PAGES 1 - 6)**

This report provides the Pensions Committee and Board (PCB) with the following updates regarding Pension Fund's administration activities:

- a. Pension Fund membership update
- b. Online Member Self Service portal update
- c. Update on McCloud project
- d. Update on Service Level Agreement (SLA) statistics
- e. Update on staffing and recruitment

**9. DLUHC CONNSULTATION OUTCOME: LGPS - NEXT STEPS ON INVESTMENTS (PAGES 7 - 16)**

This report provides the Pensions Committee and Board (PCB) with an update on the outcome of the government's consultation on *Local Government Pension Scheme (LGPS): Next steps on investments*, (the Consultation) which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023. The Consultation closed for responses on 2 October 2023.

**10. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) UPDATE (PAGES 17 - 20)**

This paper provides an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities on behalf of the Fund. The Fund is a member of LAPFF, and the Pensions Committee and Board (PCB) has previously agreed that the Fund's investment managers should cast its votes at investor meetings in line with the LAPFF voting recommendations.

**11. HARINGEY PENSION FUND RISK REGISTER (PAGES 21 - 34)**

This paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Pensions Committee and Board to further review the risk score allocation.

**12. PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 35 - 46)**

This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 30 September 2023:

- a. Independent advisor's market commentary
- b. Investment performance
- c. Investment asset allocation
- d. London Collective Investment Vehicle (LCIV) update
- e. Funding position update

**13. INVESTMENT STRATEGY REVIEW: STRATEGIC ASSET ALLOCATION (PAGES 47 - 50)**

This report provides the Pensions Committee and Board (PCB) with an assessment of the of the Pension Fund's current strategic asset allocation in comparison to various alternative options.

**14. INVESTMENT STRATEGY STATEMENT**

Report to follow.

**15. FORWARD PLAN (PAGES 51 - 56)**

This paper has been prepared to identify and agree upon the key priorities for the Pensions Committee and Board over the upcoming months, as well as seek members' input into future agendas.

**16. NEW ITEMS OF URGENT BUSINESS**

**17. DATES OF FUTURE MEETINGS**

To note the dates of future meetings:

5 March 2024

**18. EXCLUSION OF THE PRESS AND PUBLIC**

Items 18-21 are likely to be subject to a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); para 3 – namely information relating to the financial or business affairs of any particular person (including the authority holding that information) and para 5 – information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

**19. EXEMPT - PENSION FUND QUARTERLY INVESTMENT AND PERFORMANCE UPDATE (PAGES 57 - 114)**

As per item 12.

**20. EXEMPT - INVESTMENT STRATEGY REVIEW - STRATEGIC ASSET ALLOCATION (PAGES 115 - 142)**

As per item 13.

**21. EXEMPT - INVESTMENT STRATEGY STATEMENT**

As per item 14. Report to follow.

**22. NEW ITEMS OF EXEMPT URGENT BUSINESS**

Felicity Foley, Committees Manager  
Tel – 020 8489 5343  
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Email: [kodi.sprott@haringey.gov.uk](mailto:kodi.sprott@haringey.gov.uk)

Fiona Alderman  
Head of Legal & Governance (Monitoring Officer)  
George Meehan House, 294 High Road, Wood Green, N22 8JZ

Monday, 22 January 2024

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**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 8

**Title:** Pensions Administration Update

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officers:** Tim Mpofo, Head of Pensions & Treasury  
Jamie Abbott, Pensions Manager  
020 8489 3824  
[Jamie.Abbott@haringey.gov.uk](mailto:Jamie.Abbott@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

### 1. Describe the issue under consideration

- 1.1. This report provides the Pensions Committee and Board (PCB) with the following updates regarding Pension Fund's administration activities:
- a. Pension Fund membership update
  - b. Online Member Self Service portal update
  - c. Update on McCloud project
  - d. Update on Service Level Agreement (SLA) statistics
  - e. Update on staffing and recruitment

### 2. Cabinet Member Introduction

- 2.1. Not applicable

### 3. Recommendations

The Pensions Committee and Board is recommended to note this report and the information provided regarding the Pension Fund's administration activities for the quarter ending 31 December 2023.

### 4. Reason for Decision

- 4.1. Not applicable.

### 5. Other options considered

- 5.1. Not applicable.

## 6. Background information

### Membership Update

- 6.1. Employees working for an employer that participates in the Local Government Pension Scheme (LGPS) are eligible for membership in the scheme. Membership in the LGPS is voluntary, and members are free to choose whether to continue participating in the scheme or to make personal arrangements outside of it.
- 6.2. The table below provides a breakdown of Haringey Pension Fund's (the Fund) membership on 31 December 2023.

Member status	31 Mar 23	30 Jun 23	30 Sep 23	31 Dec 23
Active members	6,350	6,244	6,188	6,223
Pensioner members	8,633	8,684	8,742	8,860
Deferred members	11,194	11,157	11,306	11,137
<b>Total scheme members</b>	<b>26,177</b>	<b>26,085</b>	<b>26,236</b>	<b>26,220</b>

### Online Member Self Service Portal Update

- 6.3. The Haringey Member Self Service (MSS) portal is a website where members can register an account to view/edit their personal information as well as run their own retirement estimates.
- 6.4. The table below provides a breakdown of the number of active members registered for the the Fund's MSS as at 31 December 2023.

Member Self Service	31 Mar 23	30 Jun 23	30 Sep 23	31 Dec 23
Total active scheme members	6,350	6,244	6,188	6,223
Total active member registrations on MSS	1,057	1,087	1,232	1,311
<b>Proportion of registered active members</b>	<b>16.65%</b>	<b>17.4%</b>	<b>19.91%</b>	<b>21.06%</b>

- 6.5. The table below provides a breakdown of the number of members who have accessed the MSS portal over the past 7 days, 30 days, 2 months, and 3 months periods. This table is provided for information purposes only. The frequency at which members access the MSS depends on individual circumstances. Individuals will have different reasons for needing access to their pension information.

Period last accessed	No. of Members*
Last 7 days	43
Last 30 days	134
Last 2 months	244
Last 3 months	362

\* The above figures are shown on a cumulative basis

### Update on McCloud Remedy Implementation Project



- 6.6. The PCB has previously received advice regarding the outcome of the McCloud case, an age discrimination court case involving the transitional protection arrangements introduced as part of the 2014 LGPS reforms.
- 6.7. On November 15<sup>th</sup>, the Local Government Association (LGA) released their first instalment of the McCloud technical guide which explains how the underpin protection may be applied in the LGPS after the legislative changes made by the Government following the outcome of the McCloud legal case.
- 6.8. The Pensions Team are currently working through the guidance to understand any impacts on the Fund’s ongoing McCloud Implementation Project. Any findings of material significance will be communicated to the PCB.
- 6.9. Officers continue to engage with Heywood, the Fund’s administration software provider, to assess the initial data in the test environment. The outcome of this exercise has resulted in several data validation queries which are currently being reviewed by the team.
- 6.10. It is anticipated that the implementation of the proposed remedial regulations will be both complex and time consuming. Additional specialist resources are likely to be required to undertake this work.
- 6.11. Officers will continue to keep the PCB informed of the developments related to the McCloud remedial activities and update on any additional resource requirements when identified.

**Update on Service Level Agreement (SLA) statistics**

- 6.12. The Fund’s Service Level Agreement (SLA) sets out the agreed timeframes in which the pensions administration team aims to process the various case work related to the administration of the pension scheme. This includes activities related to processing member retirement benefits and transfers in and out of Haringey LGPS.
- 6.13. The agreed turnaround time varies depending on the type of case and these targets can be found in the Fund’s Administration Strategy document.
- 6.14. The table on the following page shows the current target SLA days to complete. Currently, these targets are not aligned with the CIPFA Benchmarking process. However, the team has commenced a thorough review of all the SLA targets with the intention of aligning them with the CIPFA Benchmarking process.
- 6.15. This will improve the existing monitoring process of these targets by Senior Fund Officers at an operational level and allow for strategic level comparisons with other LGPS schemes.
- 6.16. The table below includes the current SLA statistics for the period ending 31 December 2023.

Process	Cases completed	SLA Days to complete	% Completed within SLA
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Deaths notifying amount of dependents benefits	144	10	93%
Estimates	151	15	88%
Retirement quote	364	15	87%
Retirement Actual	261	10	89%
Deferment of records	368	30	84%
Refund quote	192	30	79%
Refund actual	43	10	91%
Transfer in Quote	127	20	64%
Transfer in Actual	102	20	53%
Transfer Out Quote	187	20	82%
Transfer Out Actual	149	20	47%
Divorce Quote	4	30	75%
Actual payment of retirement LS	284	10	87%
Amend address/bank details	135	10	91%

### **Update on Staffing and Recruitment**

- 6.17. The pensions administration team structure has been amended to include two new posts for local pensions apprentices. A training plan for the apprentices has been agreed which includes a mixture of on-the-job and off-the-job training to support their development.
- 6.18. The recruitment of apprentices is aimed at providing resilience within the team and supporting effective succession planning.

### **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable

### **8. Carbon and Climate Change**

- 8.1. Not applicable

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

#### Finance and Procurement

- 9.1. Not applicable.

#### Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. Members should note that the regulations relating to the “McCloud remedy” in respect of the LGPS are now in place and came into force on 1 October 2023 and is known as the Local Government Pension Scheme (Amendment) (No.3) Regulations 2023/972 and will have retrospective effect.

#### Equalities

9.3. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. The report's content has no direct impact on equality issues.

**10. Use of Appendices**

10.1. None

**11. Local Government (Access to Information) Act 1985**

11.1. Not applicable.

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**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 9

**Title:** DLUHC Consultation Outcome: LGPS – Next steps on investments

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

## 1. Describe the issue under consideration

- 1.1. This report provides the Pensions Committee and Board (PCB) with an update on the outcome of the government's consultation on *Local Government Pension Scheme (LGPS): Next steps on investments*, (the Consultation) which was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 11 July 2023. The Consultation closed for responses on 2 October 2023.
- 1.2. On 22 November 2023, DLUHC issued its Consultation Outcome response, which outlines the Government's intended course of action. The Fund's Independent Advisor has prepared a paper to update the PCB on the main outcomes.

## 2. Cabinet Member Introduction

- 2.1. Not applicable

## 3. Recommendations

The Pensions Committee and Board is recommended to note the Independent Advisor's LGPS Investment Consultation and Outcome 2023 paper, appended as Appendix 1 of this report.

## 4. Reason for Decision

- 4.1. Not applicable

## 5. Other options considered

- 5.1. Not applicable.

## 6. Background information

- 6.1. The Department for Levelling Up, Housing and Communities (DLUHC) published its highly anticipated consultation on the next steps on investments in the Local Government Pension Scheme (LGPS) on 11 July 2023.
- 6.2. The Consultation sought views on the government's proposals regarding investments in the LGPS. It covered areas such as asset pooling, levelling up, opportunities in private equity, investment consultancy services, and the definition of investments.
- 6.3. The London Borough of Haringey submitted a response to this Consultation. The response was prepared by the Head of Pensions and Treasury in consultation with the Independent Advisor. It was submitted to the DLUHC in accordance with the decision of the Pensions Committee and Board (PCB) at its meeting held on 6 September 2023. The period for responses to the Consultation closed on 2 October 2023.
- 6.4. The Consultation Outcome response confirmed the government's intention to proceed with most of the proposals, including a "comply or explain" regime for asset transfers to pools and a larger role for pools in operational investment issues. The response also emphasised the importance of training policies for pension committee members, additional reporting requirements, and clarifying the provision of investment consultancy services. However, the proposals have not yet come into effect and will require amendments to existing LGPS regulations and guidance.
- 6.5. The Independent Advisor has prepared a paper for the PCB which provides additional commentary on DLUHC's Consultation Outcome response, which has been appended as Appendix 1 of this report.

## **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable

## **8. Carbon and Climate Change**

- 8.1. The Consultation Outcome response does not have any direct implications on carbon and climate change risk management. However, the LGPS regulations require the Fund to set out its approach to responsible investment in its investment strategy statement.

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

### Finance and Procurement

- 9.1. There are no immediate financial implications arising from this report.

### Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. As mentioned in this report the consultation sought views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covered the following five areas, asset pooling, levelling up, opportunities in private equity, investment consultancy services, and the definition of investments. The consultation is now closed.

9.3. Members should note that the administering authority will be required to comply with any new requirements should the law change. Further advice will be provided when this happens.

Equalities

9.4. Not applicable.

**10. Use of Appendices**

10.1. Appendix 1: LGPS Investment Consultation and Outcome 2023

**11. Local Government (Access to Information) Act 1985**

11.1. Not applicable.

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**JOHN RAISIN FINANCIAL SERVICES LIMITED**

**Haringey Pension Fund**

**LGPS Investment Consultation and Outcome 2023**

**A paper by the Independent Advisor**  
**January 2024**

**1. Introduction**

This paper informs and updates the Committee and Board in respect the 2023 LGPS Investment Consultation “*Local Government Pension Scheme (England and Wales): Next Steps on Investments*” and the Consultation Outcome.

On 11 July 2023, the Department for Levelling Up Housing and Communities (DLUHC) issued a Consultation “**Local Government Pension Scheme (England and Wales): Next steps on Investments.**” The Consultation included the long awaited (since 2019) Government proposals on the further development of Investment (Asset) Pooling and proposals in relation to a number of other Investment related issues. This consultation may be accessed at [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

The period for responses to the Consultation closed on 2 October 2023. DLUHC received 152 responses including from 82 of the 86 LGPS Administering Authorities (LGPS Funds) in England and Wales. This included a response from the London Borough of Haringey which was prepared by the Head of Pensions and Treasury in consultation with the Independent Advisor and submitted to the DLUHC in accordance with the decision of the Pensions Committee and Board in respect of Agenda Item 11 (“**Investment Consultation**”) at its meeting held on 6 September 2023.

On 22 November 2023 DLUHC issued its **Consultation Outcome** response which may be accessed at [Local Government Pension Scheme \(England and Wales\): Next steps on investments - government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response) This states how the Government now intends to proceed.

## **2. The Consultation “Local Government Pension Scheme (England and Wales) Next Steps on Investments**

The Consultation, issued on 11 July 2023 included proposals relating to:

- Asset Pooling together with Governance and Reporting.
- Levelling Up.
- Private Equity.
- Investment Consultancy Services to the LGPS.
- Definition of Investments.

In respect of **Asset Pooling** the Consultation included a number of significant proposals *“to accelerate and expand pooling...”* These included a deadline of March 2025 for LGPS Funds to transition their assets to their Investment Pool, the expansion of in house investment by Investment Pools, proposals as to how LGPS Funds and Investment Pools should interact (in essence to increase the influence of Investment Pools over investment issues, see particularly Paragraph 31 of the Consultation), revised guidance on reporting, and a longer term *“transition towards fewer (Investment) pools to maximise benefits of scale.”* The Consultation also included proposals that each Administering Authority (LGPS Fund) set a training policy for Pension Committee members and report in respect of this policy; that there be additional reporting requirements on LGPS Funds to provide *“greater clarity on progress of pooling...”* and that the Scheme Advisory Board (SAB) expand their Scheme Annual Report *“to provide a report on the progress of pooling and on asset allocation across the LGPS.”*

In respect of **Levelling Up** a proposal to amend the LGPS Regulations *“to require [LGPS] funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.”*

In a chapter titled **Investment opportunities in Private Equity** the Consultation proposed that LGPS Funds should have an ambition to invest 10% of their assets into Private Equity. Although the Consultation did not explicitly state that such investment in Private Equity must be in the United Kingdom the Government’s clear preference for this is clear in the narrative within the Consultation (see Paragraphs 84,88,89,90). In respect of Private Equity investment, the Consultation placed some particular emphasis on *“venture capital.”*

With regard to the provision of **Investment consultancy services to the LGPS** the Consultation proposed to clarify that all LGPS Funds be required to set objectives for their providers of Investment Consultancy services. However, where Investment Pools provide such services to a LGPS Fund they would be exempt from this proposal.

The Consultation also proposed a technical change to the LGPS **definition of investments** to remedy an omission in the “Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.”

The Consultation included a range of important proposals, some of which were clearly likely to be controversial, and which by their nature were likely to result in a very significant level of response from LGPS stakeholders and in particular the 86 LGPS Funds across England and Wales. By the time the Consultation closed on 2 October 2023 the DLUHC had received 152 responses.

### **3. The Consultation Outcome**

In its **Consultation Outcome** issued on 22 November 2023 the DLUHC stated (Paragraph 16) that *“There were a wide range of views expressed around our proposals...”* Having considered the analysis of views on each proposal as detailed in the Consultation Outcome it is clear there was some significant opposition to those proposals which may reasonably be described as controversial. The Government has however decided to go ahead with almost all its original core proposals. In doing this however the Government is proposing an overall approach which is not mandatory and in respect of the crucial issue of transitioning LGPS Fund assets to Pools is clearly a “comply or explain” regime.

In respect of Asset Pooling a clear majority of respondents opposed the March 2025 deadline for transitioning Assets to Pools as proposed in the Consultation. DLUHC has stated in the Consultation Outcome (Paragraph 37) that it will draft guidance to require LGPS Funds to *“either transition assets by March 2025, or set out a detailed rationale for each asset remaining outside the pool...This is effectively a “comply or explain” regime which does not mandate particular investment choices”*. **The wording used in the Consultation Outcome is therefore clear that LGPS Funds do not have to transition all their assets to their Pool by 31 March 2025, rather they will merely need to comply or explain.**

With regard to the interaction of LGPS Funds and their Pools the Consultation Outcome states at Paragraph 49 that *“the government has decided to revise guidance on pooling as proposed. This will set a clear direction for all funds to move towards delegation of strategy implementation and manager selection, in order to deliver the benefits of scale for all.”* This means that the government intends that operational investment issues should increasingly be Pool rather than individual LGPS Fund responsibilities. However, the Consultation Outcome specifically, and crucially, states (Paragraph 40) that *“We do not propose any changes to the responsibility of funds for setting investment strategies.”*

At Paragraph 50 the Consultation Outcome states *“The revised guidance will therefore include a preferred model of pooling which we will expect pools to adopt over time. This model will be based on characteristics and outcomes rather than prescribing particular structures...”* but also states *“The partner funds will remain in control of their pool, and this will be important in ensuring that it delivers the products and services which the funds wish to have...”* Therefore,

the Government is proposing a larger role for Pools but within a framework where they remain under the “*control*” of their constituent LGPS Funds. This gives LGPS Funds the opportunity to exercise considerable influence over their Pool, but in reality, only if they choose to so do. If individual LGPS Funds want their Pool to act wholly and genuinely in the interests of the LGPS Funds who own it, they must ensure robust governance arrangements including intensive/detailed oversight over Pool policies and activity.

Despite significant opposition from respondents to the Consultation the Consultation Outcome states at Paragraph 51 that “*The government does not consider that it would be a conflict of interest for the pool companies owned by LGPS funds to provide advice on investments...*” This does not mean LGPS Funds must use their Pool to provide investment advice but clearly indicates that they may choose to do so. It must be stated that given the Government intends to give Pools clear authority over “*strategy implementation and manager selection*” (see Paragraph 49 of the Consultation Outcome) it is difficult to see how the Government can claim that there is not a conflict of interest where a Pool also provides advice which leads to the strategy implementation and manager selection that a Pool undertakes for a particular LGPS Fund.

With regard to the longer term the Consultation Outcome reaffirmed the Government’s view that there should be a reduction in the number of Pools from the current eight, but not in the short term. At Paragraph 27 of the Consultation Outcome, it is stated that “*there is no intention to take steps to mandate a move to fewer pools in the immediate term. The government’s view is that the focus in the short term should remain on accelerating transition of assets, improving governance and ensuring greater transparency and accountability.*”

The proposal that each LGPS Fund set a training policy for Pension Committee members and report in respect of this policy was widely supported and will be implemented by DLUHC. This is to be welcomed as it will support the good governance of all 86 LGPS Funds in England and Wales. Although many LGPS Funds have already adopted a policy and practices (based on CIPFA guidance) which seek to ensure that Members of the Pensions Committee have appropriate knowledge and skills to discharge their responsibilities effectively at present only 2 of the 86 LGPS Funds in England and Wales (Haringey and Hampshire) are under a statutory duty to adopt and actually implement such an approach.

This is because the Haringey Pension Fund and the Hampshire Pension Fund have applied (by virtue of Regulation 106(2) of the LGPS Regulations 2013 (as Amended)) to the Secretary of State and have been given approval to operate a combined Pensions Committee and Board. Consequently, Haringey is already under a statutory obligation to adopt a policy and implement practices which seek to ensure that Members of the Pension Committee and Board have appropriate knowledge and skills to discharge their responsibilities effectively. This is because Members of a LGPS Pension Board are subject to a statutory requirement under the Public Service Pensions Act 2013 and the Pensions Act 2004 (as Amended) to have “*knowledge and understanding*” of pensions law and be “*conversant*” with the Scheme Regulations and Fund documents.

The government therefore now intends (Consultation Outcome Paragraph 56) to implement a statutory requirement for *“...all funds to publish formal training policies for pension committee members, to report on training undertaken, and to align expectations for pension committee members with those for local pension board members...”*

With regard to additional reporting requirements in respect of LGPS Funds DLUHC has stated in its Consultation Outcome (Paragraph 66) that *“We will revise guidance to implement the proposed changes working with the Scheme Advisory Board...”* but will withdraw a proposal that LGPS Funds report on asset returns against an appropriate and consistent benchmark stating (Paragraph 68) *“In the light of responses highlighting the difficulties of setting benchmarks across the scheme, we intend to require funds to report performance for each asset class against the benchmark of their choice in their annual reports but not to seek to establish consistent benchmarks.”* The proposal that SAB expand their Scheme Annual Report to include an update on Pooling was widely supported by respondents and DLUHC have stated that they will implement this proposal.

While only 25% of respondents supported the proposal that LGPS Funds set a plan to invest up to 5% of assets in projects that support levelling up across the UK the DLUHC have stated in their Consultation Outcome (Paragraph 94) that *“We will revise guidance on investment strategy statements to require funds to have a plan to invest up to 5% in levelling up projects...”* However, at Paragraph 96 of the Outcome the DLUHC also make clear that actually investing in levelling up projects is not a requirement stating *“... the government’s view is that the requirement to set a plan to invest in levelling up does not mandate investment and does not cut across fiduciary duty.”* The DLUHC approach is still however an exhortation and clear encouragement to the LGPS to actively support the Government’s levelling up agenda.

The Consultation proposed that LGPS Funds should have an ambition to invest 10% of their assets into Private Equity. In relation to this the Consultation Outcome states (Paragraph 103) *“There were 144 responses to this question and 84% were opposed to the proposal...”* In response DLUHC at Paragraph 110 of the Consultation Outcome states *“However, setting an ambition to invest 10% in private equity would not mandate investment. Administering authorities would be under the same requirement as currently to act in the interests of members under their fiduciary duty...”* and at Paragraph 111 that *“The government will therefore set a new ambition for funds to invest 10% of assets in private equity in revised guidance on investment strategy statements...”* Again, like with levelling up, the Government’s approach though not mandating investment in private equity is an exhortation and clear encouragement to the LGPS to support a particular Government agenda.

The proposal in the Consultation that all LGPS Funds be required to set objectives for their providers of Investment Consultancy services was widely supported by respondents and will be implemented by the Government through amendments to Regulations/Guidance. The proposal in the Consultation that where Investment Pools provide such services to a LGPS Fund they be exempt

from this proposal was clearly questioned by respondents (see Paragraph 118 of the Consultation Outcome) and the DLUHC has consequently stated in Paragraph 119 that *“With regard to the application of the requirements to pool companies owned by LGPS funds, we [consider] that it would be good practice to set objectives for all investment consultancy providers including pools, and will set this out in revised guidance.”*

The technical change to the LGPS definition of investments proposed in the Consultation received, overall, support from respondents and the DLUHC will now amend the LGPS Regulations accordingly.

#### **4. Summary**

In summary the Government has now confirmed that it intends to strengthen the Pooling regime and to seek to accelerate the transition of all LGPS assets into the Investment Pools. It has however stated that it will apply a “comply or explain” regime (Paragraph 37 of the Consultation Outcome) in relation to asset transfers to Pools, and that Pools are required to *“act in the best interests of [LGPS] funds”* (Paragraph 50 of the Consultation Outcome). However, it will very much be up to the Haringey Fund, and the other 85 LGPS Funds across England and Wales to ensure that Pools do actually truly act for them rather than themselves.

While not mandating investment in Levelling Up projects or Private Equity the DLUHC is clearly and actively encouraging these in support of wider Government policy. Crucially, however, there is no attempt at mandation which would almost certainly result in legal challenge(s).

Finally, it must be noted that none of the proposals in the Consultation Outcome issued on 22 November 2023 has yet come into effect. These can only be put in place by issuing amended and/or new LGPS Regulations and/or Statutory Guidance (as appropriate). This has not happened as at the date of finalising this briefing and it is not known when it will happen. Until such time existing LGPS Regulations and Guidance (or lack of them) relating to Asset Pooling, Levelling Up, Private Equity, Investment Consultancy Services to the LGPS, and the Definition of Investments, remain in force and applicable.

**John Raisin**

16 January 2024

John Raisin Financial Services Limited  
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Registered Office Market House, 10 Market Walk, Saffron Walden, Essex, CB10 1JZ  
VAT Registration Number 990 8211 06

**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 10

**Title:** Local Authority Pension Fund Forum (LAPFF) Update  
**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

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

**1. Describe the issue under consideration**

1.1. This paper provides an update on the Local Authority Pension Fund Forum's (LAPFF) engagement and voting activities on behalf of the Fund. The Fund is a member of LAPFF, and the Pensions Committee and Board (PCB) has previously agreed that the Fund's investment managers should cast its votes at investor meetings in line with the LAPFF voting recommendations.

**2. Cabinet Member Introduction**

2.1. Not applicable

**3. Recommendations**

3.1. The Pensions Committee and Board is requested to note the content of this report.

**4. Reason for Decision**

4.1. Not applicable

**5. Other options considered**

5.1. Not applicable.

**6. Background information**

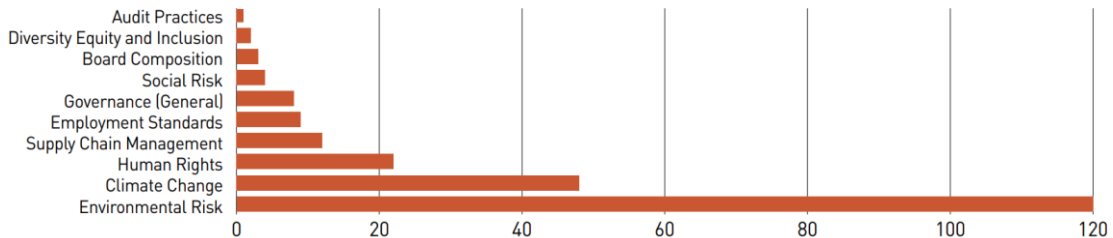
6.1. Haringey Pension Fund (the Fund) is a member of the Local Authority Pension Fund Forum (LAPFF), a shareholder engagement group that regularly engages with companies to encourage best practice and effect positive change. LAPFF engages directly with senior management and company boards to ensure they have the right policies in place to create value responsibly.

**Engagement Report**

6.2. During the quarter ending on 30 September 2023, LAPFF engaged with 182 companies domiciled across more than 10 jurisdictions. Most of this engagement was in the form of letters sent to companies as part of the LAPFF-led Say on Climate initiative and the Nature Action 100 initiative. Excluding these engagement letters, LAPFF engaged with 54 companies.

6.3. The chart below shows the breakdown of engagement topics during the quarter.

**ENGAGEMENT TOPICS**



**Voting Alerts**

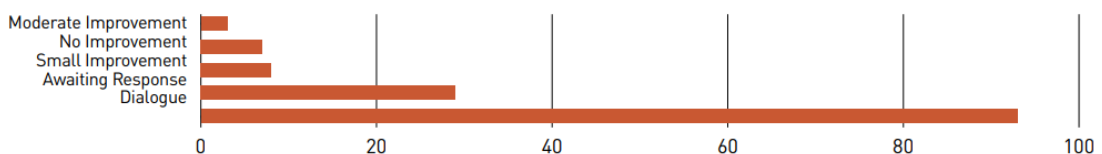
6.4. During the quarter, LAPFF issued 2 voting alerts. The table below provides details on the outcome of the vote, as well as how Legal and General Investment Management (LGIM), the Pension Fund’s listed equity manager, voted.

**Table 1 – Quarterly Voting Summary**

Company	Description	LAPFF Recommendation	LGIM Vote	AGM Vote Outcome
<b>FedEx</b>	Shareholder proposal for the company to develop a Just Transition plan.	For	For	
<b>Ryanair</b>	Management Resolution to approve the Remuneration Report and Policy.	Against	Against	For (73%)

6.5. The chart below shows the breakdown of meeting engagement outcomes over the quarter.

**MEETING ENGAGEMENT OUTCOMES**



**7. Contribution to Strategic Outcomes**

7.1. Not applicable

**8. Carbon and Climate Change**



- 8.1. The Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.
- 8.2. Through its membership in LAPFF, the Fund can pool its resources with other LGPS funds to influence companies to adopt best practices in their business models. This includes request that they develop detailed climate transition plans.

**9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**  
Finance and Procurement

- 9.1. There are no financial implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. The Head of Legal and Governance (Monitoring Officer) has been consulted on the content of this report. There are no specific legal implications arising from this report.

Equalities

- 9.3. Not applicable.

**10. Use of Appendices**

- 10.1. None.

**11. Local Government (Access to Information) Act 1985**

- 11.1. Not applicable.

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**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 11

**Title:** Haringey Pension Fund Risk Register

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officers:** Tim Mpofu, Head of Pensions and Treasury  
Jamie Abbott, Pensions Manager  
[Jamie.Abbott@haringey.gov.uk](mailto:Jamie.Abbott@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

**1. Describe the issue under consideration**

1.1. This paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Pensions Committee and Board to further review the risk score allocation.

**2. Cabinet Member Introduction**

2.1. Not applicable

**3. Recommendations**

The Pensions Committee and Board is requested:

3.1. To note and provide any comments on the Fund's risk register. The area of focus for review at this meeting will be Investment-related risks.

**4. Reason for Decision**

4.1. Not applicable.

**5. Other options considered**

5.1. Not applicable.

**6. Background information**

6.1. The Pensions Regulator (tPR) requires that the Pension Committee and Board (PCB) establish and implement internal controls for the Fund. These internal controls must be sufficient to ensure that the scheme is administered and managed in accordance with the scheme rules and legal requirements.

6.2. The PCB approved a complete version of the risk register in September 2016. Since then, different areas of the risk register have been reviewed at each

subsequent meeting. Any changes are agreed upon to ensure that the Fund's strategic risk monitoring remains current.

- 6.3. The Fund's risk register covers several areas, including administration, governance, investment, accounting, funding, and legislation risks. Appendix 1 of this paper provides an assessment of the governance-related risks that have been reviewed and updated for the PCB's feedback during the meeting. Other areas of risk management will be presented to the PCB for detailed review in upcoming meetings.

### Risk Scoring

- 6.4. The risk scoring system used by the Fund assesses the potential impact and likelihood of identified risks. Each risk is assigned a score ranging from 1 (low impact, unlikely to occur) to 5 (high impact, very likely to occur). The RAG (Red-Amber-Green) rating system categorises the overall score for each risk.

RAG Rating	Scoring Range
	25 - 16
	15 - 10
	Less than 10

### Key identified risks

- 6.5. The Fund has identified several key risks of particular concern in the short to medium term. These have been summarised in the table below.

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
<b>INV13 – High inflation</b>		<p>Inflation remains elevated for longer than initially anticipated, increasing both investment and funding risk for the Pension Fund.</p> <p>The current Consumer Price Index (CPI) inflation rate is 4.6%.</p>	<p>The Fund has several investment mandates in inflation linked strategies which are meant to provide some level of inflation protection.</p> <p>The Fund is conducting a thorough review of its investment strategy following the actuarial valuation exercise. This includes an assessment of the impact of inflation on the Pension Fund's cashflows and asset specific expected returns.</p>
<b>ACC1 – Delay of publication of Statement of Accounts</b>		<p>The Council continues to experience significant delays to the completion of the external audit of its Statement of Accounts.</p> <p>Although the Council has published the draft accounts for 2021/22 and</p>	<p>Since the last update provided to the PCB by the Fund's external auditors, very little progress has been made in completing the outstanding audits.</p> <p>Officers have been attempting to engage with the external</p>

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
		<p>2022/23, the external audit for both financial years remains outstanding.</p> <p>This means that the Fund has not had an audited Annual Report for two years, resulting in failure to publish the audited reports in accordance with the statutory requirements.</p>	<p>auditors to complete this activity as soon as possible. The issue has also been brought to the attention of the Public Sector Audit Appointments Limited (PSAA), the body responsible for external auditor appointments for local government and police bodies.</p> <p>This issue has now been identified as a national issue and the government is expecting to issue guidance soon regarding the treatment of backlog audits.</p>
<p><b>INV2 – Increasing risk of a market downturn</b></p>		<p>The Bank of England’s Monetary Policy Committee (MPC) has stated that it will take the necessary actions to return inflation to the 2% target.</p> <p>The current the bank rate is 5.25%, which remains the highest level since the Great Financial Crisis in 2008-2009. Due to inflation in the UK proving to be more persistent than initially anticipated, there remains considerable uncertainty as to the future path of interest rates. This uncertainty has increased the risk of a recession in the UK in 2024.</p>	<p>Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors were necessary, and making the appropriate recommendations to the PCB.</p> <p>The Fund is currently conducting a thorough review of its investment strategy following the actuarial valuation exercise which will consider the investment risks and opportunities given the prevailing macroeconomic environment.</p>

6.6. Officers will continue to keep the Fund’s risk register under constant review.

## 7. Contribution to Strategic Outcomes

7.1. Not applicable

## 8. Carbon and Climate Change

- 8.1. The Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.
- 8.2. The Fund incorporates ESG risks into its investment selection process. Additional efforts to identify and monitor these risks are currently underway, which will involve establishing responsible investment goals and criteria.

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

Finance and Procurement

- 9.1. There are no direct financial or procurement implications arising from this report.

Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.2. The Head of Legal and Governance has been consulted on the content of this report. Members should refer to the matters referred to in paragraph 6.5 of this report and the risks that these poses to the Pension Fund. Actions taken must not only manage but also mitigate the risk.
- 9.3. Section 70 of the Pensions Act 2004 imposes a reporting requirement on the administering authority where there is reasonable cause to believe that a duty which is relevant to the administration of the scheme and imposed by legislation has not been complied with and the failure is one which is of “material significance” then a report must be made to the Pension Regulator. In particular, there should be an assessment as to whether or not the delay in the publication of Statement of Accounts caused by the auditors is one that is of “material significance”.

Equalities

- 9.4. Not applicable.

**10. Use of Appendices**

- 10.1. Appendix 1: Haringey Pension Fund Risk Register Review – Investment Risk Register
- 10.2. Appendix 2: Haringey Pension Fund Summary Risk Register

**11. Local Government (Access to Information) Act 1985**

- 11.1. Not applicable.

London Borough of Haringey Pension Fund Risk Register										
Risk Ref	Risk Group	Risk Description	Impact	Likelihood	Risk Score	Controls and Mitigations In Place	Further Actions	Revised Likelihood	Total Risk Score	Reviewed on
INV13	Investment Risk	High inflation is sustained over the long term leading to investment underperformance and higher costs for the Fund. The current Consumer Prices Index (CPI) inflation rate is 4.6%. Inflation has remained elevated for longer than initially anticipated.	4	4	16	<p>1) The Pension Fund's liability increases at the rate of CPI inflation. Officers regularly discuss the implications of inflation the Fund's actuary which helps inform the Fund's investment strategy.</p> <p>2) Several of the Pension Fund's investment mandates are in inflation linked strategies such as property and renewable infrastructure.</p> <p>3) The Pension Fund's investment consultant regularly provides advice to the Pensions Committee and Board on investment strategy including the impact of inflation on the Fund's investment performance.</p>	<p><b>Treat</b></p> <p>1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.</p> <p>2) As part of the investment strategy review, the PCB will assess the impact of sustained higher levels of inflation on the investment portfolio's asset specific expected returns.</p>	3	12	31/10/2023
INV2	Investment Risk	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates.	4	4	16	<p>1) The Pension Fund holds a well-diversified investment portfolio that includes a mixture of growth and defensive assets. The factors that drive the expected returns of these assets differ under various economic conditions.</p> <p>2) The PCB regularly reviews investment performance and the Pensions Fund's investment consultant regularly provides investment strategy advice.</p>	<p><b>Treat</b></p> <p>1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.</p>	4	16	31/10/2023
INV1	Investment Risk	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty.	4	4	16	<p>1) Officers are actively engaging with the Fund's investment managers and advisors on an ongoing basis to assess the implications of the responses to the various geopolitical risks</p> <p>2) The Pension Fund's investment consultant regularly provides advice to the Pensions Committee and Board on the Fund's investment strategy.</p>	<p><b>Treat</b></p> <p>1) Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.</p>	3	12	31/10/2023
INV3	Investment Risk	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. It is widely anticipated that legislation and guidance will be issued on reporting and managing climate-related risks.	4	3	12	<p>1) The Fund's entire listed equity allocation is invested in low carbon strategies. The RAFI Climate Transition Fund aims to reduce carbon emissions by 7% annually in line with the Paris-Agreement.</p> <p>2) The Fund also has several investments in renewable energy infrastructure funds.</p> <p>3) The Department for Levelling Up, Housing and Communities issued a consultation on climate reporting in the autumn of 2022, with regulations and guidance widely expected in 2023.</p>	<p><b>Treat</b></p> <p>1) Officers and the Fund's investment consultants will continue to monitor developments in legislation, investment products and reporting requires, and where necessary, making the appropriate recommendations to the Pensions Committee and Board.</p> <p>2) The PCB will be undertaking a through review of its responsible investment approach as part of the overall investment strategy review.</p>	3	12	31/10/2023

INV8	Investment Risk	Investment managers fail to achieve benchmark/outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.7m.	5	3	15	<p>1) The Fund conducts a rigorous selection process to ensure that it appoints the most suitable investment managers based on available information during the tendering process of a new mandate.</p> <p>2) Expert professional advice is provided by the Fund's investment consultant supporting manager selection and ongoing monitoring of performance.</p> <p>3) The Fund's Custodian provides a manager monitoring service which is reported to the PCB on a quarterly basis. Recent performance shows that the Fund has outperformed the benchmark over the last year.</p>	<p><b>Treat</b></p> <p>1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.</p>	2	10	31/10/2023
INV6	Investment Risk	The Fund has insufficient cash available to meet pension payments when they fall due, especially if inflation remains at sustained higher levels and contributions reduce as a result of the actuarial valuation outcome	5	3	15	<p>1) The Fund plans to review its cashflow management strategy later in 2023 to ensure that increases in benefit payments are matched with contributions and income received from investments.</p> <p>2) The Fund currently receives income from its private equity, multi-asset credit and property funds and has the option to increase income from existing investments in listed equities and multi-asset strategies.</p>	<p><b>Treat</b></p> <p>1) Officers regularly monitor the Fund's cashflow position.</p> <p>2) An annual cashflow review at fund level is undertaken by the Head of Pensions and utilised to inform the Fund's investment strategy.</p>	2	10	31/10/2023
INV5	Investment Risk	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	4	3	12	<p><b>Tolerate</b></p> <p>1) The LCIV has to reach consensus among its 32 member funds, meaning there is a persistent risk that the full completion of mandates in the Fund may not be replicated by the LCIV, particularly the illiquid mandates.</p> <p>2) The LCIV has recently added more resources to their team across the different mandates and shared plans to develop more illiquid mandates, with a focus on property in 2022.</p>	<p><b>Treat</b></p> <p>1) Officers and the Chair of the PCB regularly participate and contribute to various LCIV working groups.</p>	2	8	31/10/2023
INV7	Investment Risk	The Pension Fund's actual asset allocations move away from the strategic benchmark.	4	3	12	<p>1) The Fund continually reviews its asset allocation and rebalances the portfolio in line with the Investment Strategy Statement. The Fund's asset allocation is included as part of the PCB's quarterly update report.</p> <p>2) The Pension Fund's passive equity investments are rebalanced by the investment manager based on pre-agreed thresholds.</p>	<p><b>Treat</b></p> <p>1) Officers will regularly monitor the strategic asset allocation and make recommendations for any necessary adjustments.</p>	2	8	31/10/2023



INV10	Investment Risk	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	3	3	9	<p>1) The Pension Fund's investment and funding strategy statements are regularly reviewed and discussed at the Pensions Committee and Board meetings. As at the last funding update, the Pension Fund is well funded.</p> <p>2) The Pension Fund has appointed actuarial and investment consultants to provide advice on matters relating to investment and funding.</p> <p>3) The PCB is presented with the Pension Fund's Annual report each year.</p>	<p><b>Treat</b></p> <p>1) Officers to regularly monitor the Fund's investment performance and highlight any areas of concern to the Committee and Board when they arise.</p> <p>2) Further training on investment strategy will be provided in the upcoming months</p>	2	6	31/10/2023
INV11	Investment Risk	Strategic investment advice received from the investment consultants is inappropriate for the Fund	3	3	9	<p>1) The Fund has appointed Mercer, one of the largest global investment consultants, to provide strategic investment advice to the PCB. In addition to this, the fund has also engaged an experienced investment advisor to challenge/confirm investment strategy decisions. This ensures that the advice provided is subject to peer review to ensure that it is fit for purpose.</p>	<p><b>Treat</b></p> <p>1) The investment consultant's objectives are set on a regular basis, and performance reviewed annually.</p>	2	6	31/10/2023
INV9	Investment Risk	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	3	2	6	<p>1) The Department for Levelling Up, Housing and Communities (DLUHC) is expected to issue its consultation on the pooling guidance before the end of the year.</p>	<p><b>Tolerate</b></p> <p>1) Officers to consult and engage with the DLUHC, LGPS Scheme Advisory Board, advisors and consultations once the consultation has been issued</p>	2	6	31/10/2023
INV12	Investment Risk	Financial failure of an investment manager leads to negative financial impact on the fund	4	2	8	<p>1) Officers receive and review internal control reports from investment managers on an annual basis.</p> <p>2) The Pension Fund's investment consultants regularly reviews and assigns ratings to the Fund's investment strategies.</p>	<p><b>Treat</b></p> <p>1) Officers to continue to work closely with the investment consultants and independent advisor to monitor the financial and operational performance of investments managers.</p>	1	4	31/10/2023
INV4	Investment Risk	Economic uncertainty caused by the implementation some of the post-Brexit agreements	2	2	4	<p>1) The Fund's investment portfolio is well diversified, most of the mandates have a global focus (other than property investments and the index linked gilts).</p> <p>2) A segment of the Fund's equity investments have been hedged to protect against currency movements.</p>	<p><b>Treat</b></p> <p>1) Officers to consult and engage with advisors and investment managers on an ongoing basis.</p>	1	2	31/10/2023

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London Borough of Haringey Pension Fund Risk Register			
Governance			
Risk Ref	Risk Group	Risk Description	Risk Score
GOV1	Governance	The nature of appointments to the Pensions Committee and Board leads to frequent and/or extensive turnover of members resulting in a loss of technical and operational knowledge about the Pension Fund and therefore, an inexperienced Pensions Committee and Board.	8
GOV2	Governance	Members have insufficient knowledge of regulations, guidance and best practice to make good and informed decisions.	8
GOV3	Governance	Officers lack the knowledge and skills required to effectively advise elected members and/or carry out administrative duties.	8
GOV4	Governance	Lack of engagement from employers and members means that communicating decisions becomes a "tick box" exercise resulting in a lack of accountability.	15
GOV5	Governance	Weak procurement processes lead to legal challenge or failure to secure the best value for money when procuring new services.	5
GOV6	Governance	Failure to comply with legislation and regulations leads to illegal actions/decisions resulting in financial loss and / or reputational damage	5
GOV7	Governance	Pension Fund objectives are not defined and agreed leading to lack of focus of strategy to facilitate the aims of the LGPS.	4
GOV8	Governance	The Pensions Committee and Board's decision making process is too rigid to allow for the making of expedient decisions leading to an inability to respond to problems and/or to exploit opportunities.	10
GOV9	Governance	Known risks not monitored leading to adverse financial, reputational or resource impact.	8
GOV10	Governance	Failure to review existing contracts means that opportunities are not exploited.	6
GOV11	Governance	Pensions Committee and Board members have undisclosed conflicts of interest.	3

London Borough of Haringey Pension Fund Risk Register			
Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV1	Investments	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty.	16
INV2	Investments	Increasing risk of a financial downturn due to rising cost of living and global central banks increasing base interest rates.	16
INV3	Investments	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. It is widely anticipated that legislation and guidance will be issued on reporting and managing climate-related risks.	12
INV4	Investments	Economic uncertainty caused by the implementation of some of the post-Brexit agreements	4
INV5	Investments	The adequacy of the London CIV's resources regarding investment manager appointments and ongoing monitoring of the investment strategy implementation.	12
INV6	Investments	The Fund has insufficient cash available to meet pension payments when they fall due, especially if inflation remains at sustained higher levels and contributions reduce as a result of the actuarial valuation outcome	15
INV7	Investments	The Pension Fund's actual asset allocations move away from the strategic benchmark.	12
INV8	Investments	Investment managers fail to achieve benchmark/outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.7m.	15
INV9	Investments	Implementation of proposed changes to the LGPS (pooling) requires the fund to adapt its investment strategy	6
INV10	Investments	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	9

Investments			
Risk Ref	Risk Group	Risk Description	Risk Score
INV11	Investments	Strategic investment advice received from the investment consultants is inappropriate for the Fund	9
INV12	Investments	Financial failure of an investment manager leads to negative financial impact on the fund	8
INV13	Investments	High inflation is sustained over the long term leading to investment underperformance and higher costs for the Fund. The current Consumer Prices Index (CPI) inflation rate is 4.6%. Inflation has remained elevated for longer than initially anticipated.	16

London Borough of Haringey Pension Fund Risk Register			
Accounting			
Risk Ref	Risk Group	Risk Description	Risk Score
ACC1	Accounting	Risk of the Pension Fund's statement of accounts being delayed beyond statutory deadlines. A delay beyond 30 November would mean the Fund would be unable to produce its annual report by the statutory deadline. The Council continues to experience delays to the completion of the external audit of its Statement of Accounts.	16
ACC2	Accounting	Internal controls are not in place to protect against fraud/mismanagement	10
ACC3	Accounting	The Pension Fund's Statement of Accounts do not represent a true and fair view of the Pension Fund's financing and assets.	15
ACC4	Accounting	Risk of misstatement of figures in the Pension Fund's accounts and potential audit qualification due to material uncertainty over year end valuations	12
ACC5	Accounting	The Pension Fund does not have robust internal monitoring and reconciliation process in place, leading to incorrect figures in the accounts	8

London Borough of Haringey Pension Fund Risk Register			
Accounting			
Risk Ref	Risk Group	Risk Description	Risk Score
ACC6	Accounting	Contributions received from employers participating in the Pension Fund are not in line with what is specified in actuarial reports and adjustment certificates, potentially leading to an increased funding deficit or surplus.	8
ACC7	Accounting	The market value of assets recorded in the Statement of Accounts figures are incorrect leading to a material misstatement and potentially a qualified audit opinion.	10
ACC8	Accounting	Inadequate monitoring of contributions and investment income leads to cash flow issues for the Pension Fund.	8

London Borough of Haringey Pension Fund Risk Register			
Funding/Liability			
Risk Ref	Risk Group	Risk Description	Risk Score
FL1	Funding / Liability	There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.  LGPS benefits are uplifted by CPI inflation report in September preceding the new financial year (1 April). This figure came in at 10.1% in September 2022.	15
FL2	Funding / Liability	Impact of economic and political decisions on the Pension Fund's employer workforce. Government funding level affecting the Council's spending decisions	15
FL3	Funding / Liability	Impact of increases to employer contributions following the actuarial valuation.  The next actuarial valuation is to take place as at 31 March 2022	10

London Borough of Haringey Pension Fund Risk Register			
Funding/Liability			
Risk Ref	Risk Group	Risk Description	Risk Score
FL4	Funding / Liability	<p>Employee salary increases are significantly more than anticipated for employers participating in the Pension Fund.</p> <p>Persistently high inflation could potentially lead to unexpectedly high pay awards.</p>	12
FL5	Funding / Liability	<p>Failure of an admitted body or scheduled body leads to unpaid liabilities being left in the Pension Fund to be met by other participating employers.</p> <p>Current economic conditions could potentially cause strain on smaller employers.</p>	12
FL6	Funding / Liability	Scheme members live longer than expected leading to higher than expected liabilities.	12
FL7	Funding / Liability	Funding strategy and investment strategy are considered in isolation by the Pension Fund's decisionmakers and advisors	10
FL8	Funding / Liability	Inappropriate Funding Strategy is set at the Fund and employer level despite being considered in conjunction with the investment strategy.	10

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**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 12

**Title:** Pension Fund Quarterly Investment and Performance Update

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

### **1. Describe the issue under consideration**

- 1.1. This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 30 September 2023:
- a. Independent advisor's market commentary
  - b. Investment performance
  - c. Investment asset allocation
  - d. London Collective Investment Vehicle (LCIV) update
  - e. Funding position update

### **2. Cabinet Member Introduction**

- 2.1. Not applicable

### **3. Recommendations**

- 3.1. The Pensions Committee and Board is recommended to note the information provided in section 6 of this report regarding the Pension Fund's investment performance and activity for the quarter ended 30 September 2023. An additional supplementary appendix has been included which shows the Pension Fund's asset values as at 30 November 2023.

### **4. Reason for Decision**

- 4.1. Not applicable.

### **5. Alternative options considered**

- 5.1. Not applicable.

## 6. Background information

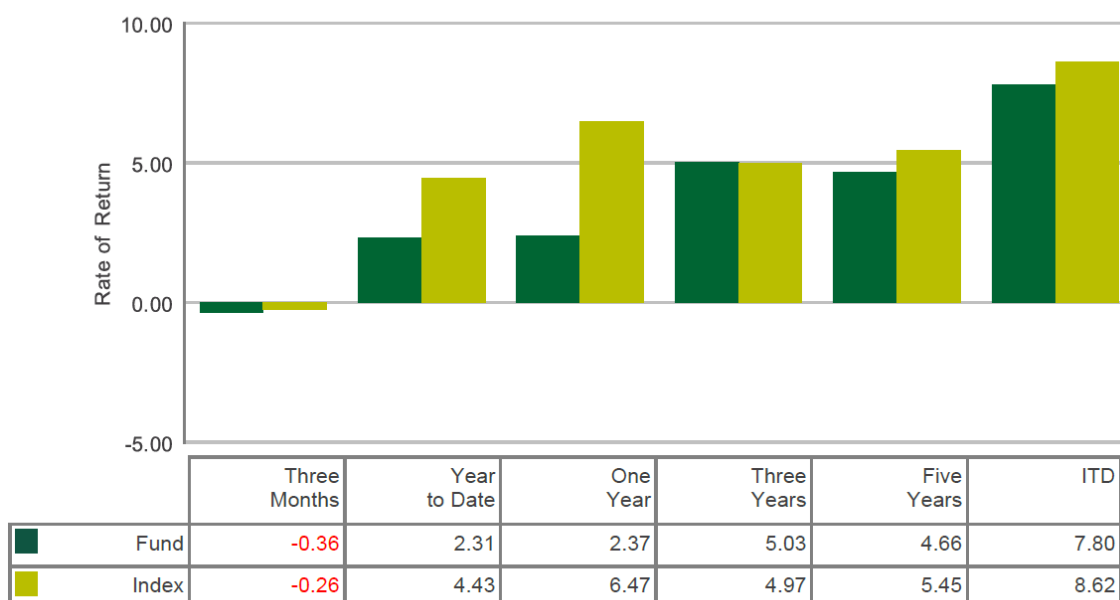
6.1. The independent advisor has prepared a market commentary for the quarter ending 30 September 2023 which, has been included as Appendix 1 to this paper.

### Investment Performance

6.2. As of 30 September 2023, the Fund's investment assets had a market value of £1.694bn. The investment performance across the portfolio was relatively mixed, resulting in a slightly negative return of -0.26% over the quarter. This was an underperformance of -0.10% compared to the target benchmark.

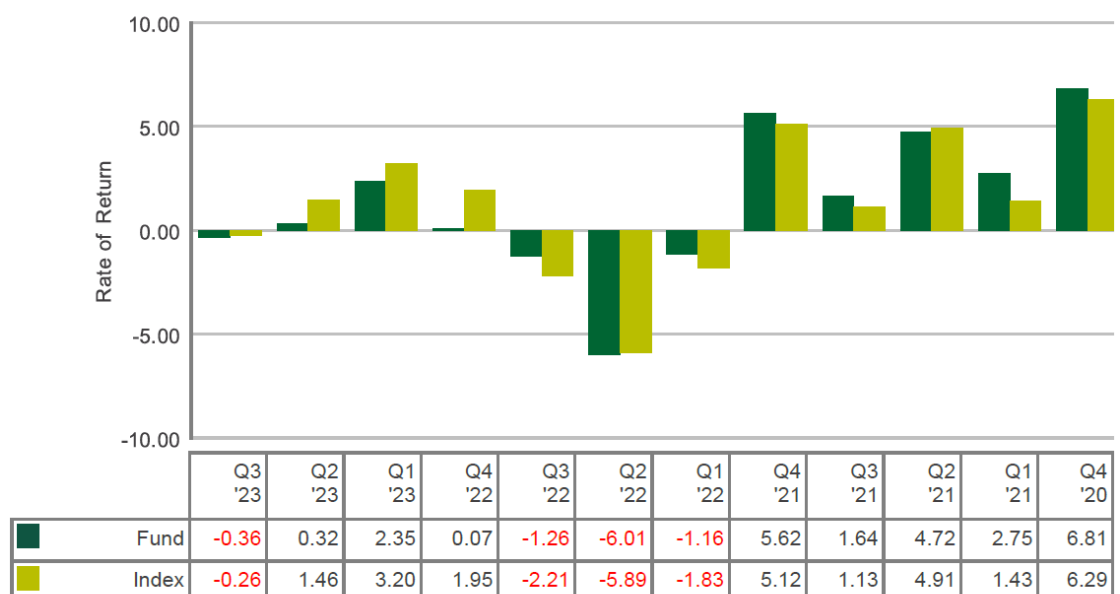
6.3. The fund's overall investment returns as of 30 September 2023 are shown in the charts below.

#### HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



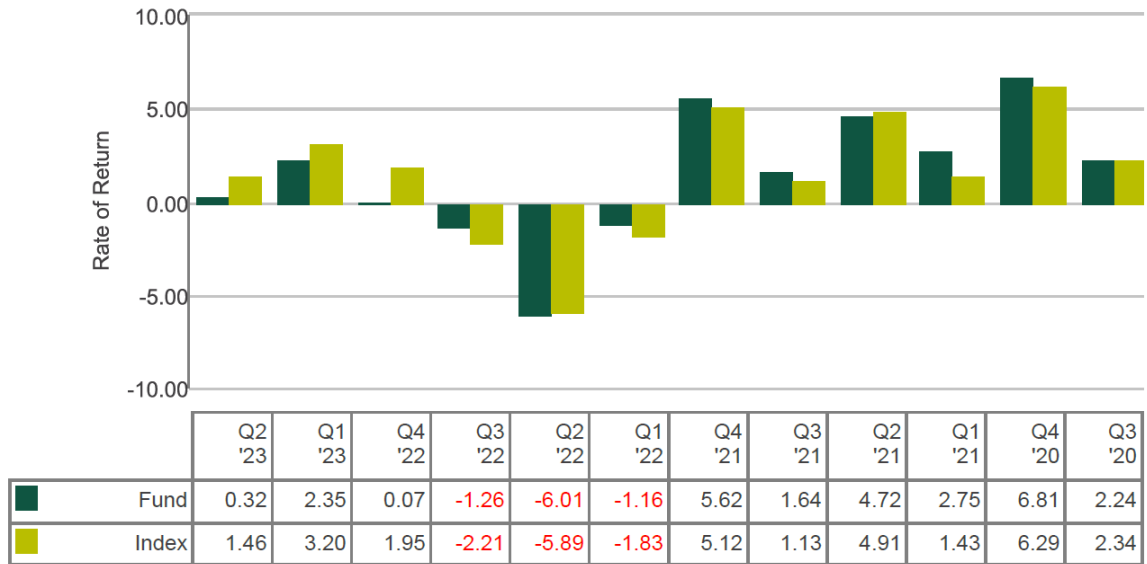
Index: Haringey New Total Plan BM

#### HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

**HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES**



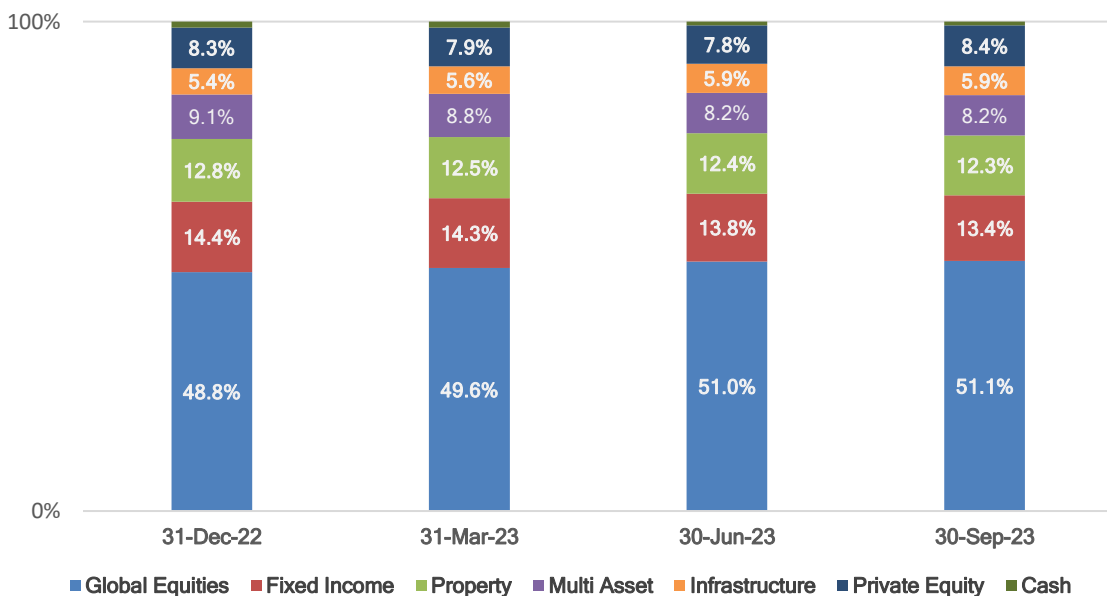
Index: Haringey New Total Plan BM

6.4. A detailed breakdown of Fund’s investment performance can be found in the Fund Strategy Report for the quarter ending 30 September 2023, appended to this report as Confidential Appendix 3. An additional supplementary appendix has been included which shows the Fund’s asset values as at 30 November 2023.

**Investment Asset Allocation**

6.5. The Fund’s strategic asset allocation over the last four quarters to 30 September 2023 is shown in the chart below.

Asset allocation as at 30 September 2023



- 6.6. The Fund's current asset allocation, compared to the strategic asset allocation is shown on the following tables below.

Liquid assets	Sep-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equities	865	47.5%	51.1%	3.6%	+/- 10.0%
Multi-asset credit	141	10.0%	8.3%	(1.7%)	+/- 3.0%
Multi-asset absolute return	139	7.5%	8.2%	0.7%	+/- 3.0%
Index linked gilts	86	7.0%	5.1%	(1.9%)	+/- 3.0%
Cash	13	0.0%	0.8%	0.8%	

- 6.7. The Fund determines liquid assets as any investments that can be traded within a month such as listed equities and fixed income securities. The Fund has established acceptable ranges for rebalancing these strategies in the event that they deviate from the strategic asset allocation.

Illiquid assets	Sep-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance
Property	208	15.5%	12.3%	(3.2%)
Private equity	142	5.0%	8.4%	3.4%
Renewable infrastructure	68	5.0%	4.0%	(1.0%)
Infrastructure debt	32	2.5%	1.6%	(0.6%)

- 6.8. No formal tolerance range has been established for property, private equity, and renewable infrastructure as these asset classes are illiquid. Some of these asset classes are still in the funding stage, and it anticipated that the allocation to them will increase over time to be in line with the strategic asset allocation.
- 6.9. As of 30 September 2023, all asset classes were within the acceptable ranges. Therefore, no rebalancing is necessary at this stage.

#### London Collective Investment Vehicle (LCIV) Update

- 6.10. Haringey Pension Fund, along with all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the asset pools that were established following the government guidance issued in November 2015. As of 30 September 2023, the Fund has approximately 76% of its assets invested with the pool, with approximately 20% invested in funds managed directly by the pooling company.

#### Funding Position Update

- 6.11. The funding level is the ratio of the market value of assets to the projected future benefit payments, also known as fund liabilities. At 31 March 2022, the Fund had a funding level of 113%. This indicated that the Fund's investment assets were more than sufficient to cover all the pension benefits accrued by that date, based on the underlying actuarial assumptions.
- 6.12. Hymans Robertson, the Fund Actuary, regularly calculates an indicative funding position update using the latest actuarial assumptions. At 30 November 2023, the updated funding level position was 139%. A detailed breakdown of the Fund's funding position has been included as Confidential Appendix 4 to this report.

## **7. Contribution to Strategic Outcomes**

7.1. Not applicable

## **8. Carbon and Climate Change**

8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

8.2. The Pension Fund's current investment strategy includes allocations to renewable infrastructure funds and low-carbon equity index funds. One such fund is the RAFI-Multi Factor Climate Transition Fund, which aims to reduce the Pension Fund's carbon intensity accordance with the Paris Agreement.

8.3. The Pension Fund is continually reviewing the ESG performance of existing investment strategies while also seeking out sustainable investment opportunities that align with the Pension Fund's overall investment objectives.

## **9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)**

### Finance

9.1. The report contains the financial performance of the Haringey Pension Fund and its investments. Proper monitoring and management of these investments increases the likelihood of the Pension Fund achieving its objectives. This, in turn, helps ensure the protection of member benefits and improves the probability of maintaining stable employer contribution rates.

### Procurement

9.2. There are no immediate procurement implications arising from this report.

### Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

9.3. The Council as administering authority for the Haringey Pension Fund must periodically review the suitability of its investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with its overall investment strategy.

9.4. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

### Equality

9.5. The Local Government Pension Scheme is a defined benefit open scheme that allows all Council employees to participate. The report's contents have no direct impact on equality issues.

## **10. Use of Appendices**

10.1. Appendix 1: Independent Advisor's Market Commentary Apr-Jun 2023

10.2. Appendix 2: Supplementary Investment Information Nov 2023

10.3. Confidential Appendix 3: Haringey Pension Fund Performance Report Q2 2023

10.4. Confidential Appendix 4: Funding Position Update Nov 2023

**11. Local Government (Access to Information) Act 1985**

11.1. Not applicable.

## JOHN RAISIN FINANCIAL SERVICES LIMITED

### Independent Advisors Report

#### Market Commentary July to September 2023

In contrast to the previous three Quarterly periods the July to September 2023 period saw a decline in Global Equities. After a positive July both Developed Markets and Asian/Emerging markets suffered declines in August and September with the MSCI World Index declining by over 3% (in \$ terms) over the Quarter. An increasing realisation that interest rates will likely remain higher for longer (based on major Central Bank actions and statements) despite it appearing that interest rate rises are drawing to an end, and concerns over the Chinese economy were surely two notable contributory factors. Overall, the major Government Bond markets also declined over the July to September period.

In the US, on 12 July, the Bureau of Labor Statistics announced a sharp drop in the headline US CPI index from 4% in May to 3% in June. However, CPI rose to 3.2% in July and was 3.7% in both August and September. The Core PCE (Personal Consumption Expenditures) Index which is closely observed by the US Federal Reserve when determining monetary policy remained stubbornly above the target of 2%. Core PCE was 4.3 in June (reported in July), 4.3% in July, 3.8% in August and 3.7% in September. Unemployment remained very low but increased over the Quarter to 3.8% at September compared to 3.6% in June.

The June 2023 meeting of the US Federal Reserve Federal Open Markets Committee (FOMC) had held interest rates for the first time since March 2022. At its meeting which concluded on 26 July 2023 the FOMC again increased the Federal Funds rate, this time by 0.25%. The Press Release issued after the July meeting included the statement that *“Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated... The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 5-1/4 to 5-1/2 percent.”* At the FOMC meeting which concluded on 20 September 2023 the FOMC determined not to raise interest rates notwithstanding continuing *“elevated”* inflation and *“low”* unemployment. This more cautious approach was not surprising given the extent to which the FOMC had increased rates over the previous 18 months.

At his press conference following the September FOMC meeting Chair Jay Powell made the following statement regarding the future approach to monetary policy *“Since early last year, the FOMC has significantly tightened the stance of monetary policy... We’ve covered a lot of ground, and the full effects of our tightening have yet to be felt... Looking ahead, we’re in a position to proceed carefully in determining the extent of additional policy firming that may be appropriate. Our decisions will be based on our ongoing assessments of the incoming data and the evolving outlook and risks.”*

US Equities were negative over the Quarter with the S&P 500 declining over 3%. The increase in CPI in July (reported August) and particularly August (reported in September) together with the stubbornly elevated Core PCE inflation raised the possibility of further interest rate increases or the existing rates remaining for longer than perhaps expected/hoped for by markets. Statements by the US Federal Reserve also inclined towards a “high for longer” approach to interest rate policy.

As in the previous Quarter Eurozone inflation as measured by the Harmonised Index of Consumer Prices (HICP) continued to fall from 5.5% in June, to 5.3% in July, 5.2% in August, and 4.3% in September. However, it still remained clearly above the European Central Bank target of 2%. Core inflation also fell from 5.5% in June, to 5.3% by August, and 4.5% in September. Despite eight interest rate rises by the European Central Bank (ECB) between July 2022 and June 2023 Eurozone unemployment remained historically low. Eurozone unemployment was 6.5% in September 2023 only marginally up from the all time low, in the history of the Eurozone, of 6.4% as at June 2023.

The European Central Bank continued its clear policy of monetary tightening to bring inflation under control and back to the ECB target of 2%. To quote the first two sentences from the Monetary Policy Decisions statement issued after both the July and September 2023 monetary policy meetings *“Inflation continues to decline but is still expected to remain too high for too long. The Governing Council is determined to ensure that inflation returns to its 2% medium-term target in a timely manner.”* Therefore, at both meetings the ECB increased its benchmark interest rate by 0.25%. Following the September meeting this was at record level of 4%. However, there were clear indications that the ECB may be coming towards the end of its ongoing monetary tightening approach. The Monetary Policy Decisions statement issued after the September meeting including the comment that *“Based on its current assessment, the Governing Council considers that the key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target.”* Furthermore, at her press conference following the September meeting ECB President Christine Lagarde, in response to a question, indicated that there had been a split in the Governing Council of the ECB over this latest rate rise stating *“there are a few members in the Governing Council who would have preferred a pause...”*

Eurozone Equities experienced a negative Quarter with the MSCI EMU index falling by over 4% (in Euro terms). News on inflation received during the Quarter (the June, July, and August figures) indicated only a slight downturn while GDP data released by Eurostat showed weakness with figures for the second Quarter of 2023, released on 7 September, indicating that GDP grew by only 0.1% in the Euro area the same as for the first Quarter of 2023. Corporate earnings reports for the second Quarter of 2023 were also disappointing.

In the April to June Quarter UK Equities, in contrast to other major developed market Equities had declined. In the July to September Quarter UK Equities again performed contrary to (most) other developed markets, this time gaining. The FTSE All Share gained almost 2% driven by the performance of the FTSE 100 (mega cap) Index which gained over 2%. The weakness of sterling versus the US dollar boosted returns for those (mainly) large UK listed companies which account/report earnings in US Dollars. The significant weighting of the FTSE All Share to Energy and Basic Materials stocks which had been weak in the previous Quarter clearly contributed to the positivity in the July to September Quarter which saw them rebound.



Fundamentally, however, there are significant questions regarding the FTSE All Share in the long term. This is in a context of, for example, the lack of big technology companies in the index, the weighting of oil and gas in the index, the movement of pension fund investors away from UK equities, and some large companies listing/moving their listing overseas and away from the London Stock Exchange.

There was a further clear decline in UK inflation reported during the Quarter although it remained far above the Bank of England target of 2% and clearly in excess of inflation levels in both the United States and the Eurozone. The June CPI inflation figure (reported in July) was 7.9% compared to 8.7% in May and the July figure (reported in August) was 6.8%. August and September saw CPI at 6.7%.

At the meeting of the Bank of England Monetary Policy Committee (MPC) held on 3 August 2023 the Committee raised Bank Rate (interest rates) by a further 0.25% to 5.25% (a fifteen year high) with 6 Members voting for this increase, two Members for a 0.5% increase and one Member for no increase. In relation to the view of the majority of the Committee who voted for a 0.25% increase the Minutes of the meeting included the statement (at Paragraph 24) that *“Six members judged that a 0.25 percentage point increase in Bank Rate, to 5.25%, was warranted at this meeting... Although the monetary stance was weighing on economic activity, a 0.25 percentage point increase in Bank Rate at this meeting was necessary to address the risks from greater inflation persistence.”*

Bank Rate remained at 5.25% at the MPC meeting on 2 September 2023 following a 5 to 4 vote finally determined by Governor Andrew Bailey's casting vote. The other 4 Members voted for a 0.25% increase. The Minutes of the meeting indicated that the decision making at this meeting had indeed been difficult with (even) 4 of the 5 Members who voted to hold rates considering the decision was *“finely balanced.”* Paragraph 44 of the Minutes included the following *“Five members judged that maintaining Bank Rate at 5.25% was warranted at this meeting. There were signs that the labour market was loosening... headline and services CPI inflation had fallen back and were lower than had been expected. Regarding activity, contacts of the Bank's Agents had become more downbeat, and the output PMI in August was now consistent with falling GDP. For most members within this group, the latest developments meant that the judgement to keep Bank Rate unchanged at this meeting rather than increase it was finely balanced.”* However, the MPC was clear that monetary policy would remain tight and that further interest rate rises could occur – with Paragraph 48 of the Minutes stating *“The MPC would continue to monitor closely indications of persistent inflationary pressures and resilience in the economy as a whole, including the tightness of labour market conditions and the behaviour of wage growth and services price inflation. Monetary policy would need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee's remit. Further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures.”*

Japanese inflation continued to exceed the Bank of Japan's target of 2% at 3.3% in July, 3.2% in August and 3.0% in September. Core inflation was 3.1% in July and August and 2.8% in September. The Nikkei 225 Index (which measures the performance of 225 large publicly owned companies) declined by 4% over the Quarter (having increased by over 18% in Yen terms in the previous Quarter).

At both its July and September monetary policy meetings the Bank of Japan, yet again, maintained short term interest rates at -0.1% and continued to be the only major Central Bank to retain negative interest rates. However, at the meeting which concluded on 28 July the Bank made a small but symbolically significant alteration to its monetary policy approach. While maintaining the 10 Year Japanese Government Bond Yield target of 0% with range of around plus or minus 0.5% the Minutes of the meeting stated that the Bank would *“conduct yield curve control with greater flexibility, regarding the upper and lower bounds of the range as references, not as rigid limits, in its market operations. The Bank will offer to purchase 10-year JGBs at 1.0 percent...”* What this means is that in effect Japanese Government Bond Yields will be allowed to move as high as 1% rather than 0.5%. As at the April monetary policy meeting the Bank of Japan under its new Governor, Kazuo Ueda, signalled, at its July meeting, that the long running ultra loose monetary policy approach of the Bank of Japan may change. However, this will not happen until the Bank is clearer that inflation will remain around the Bank’s 2% target over the longer term.

Asian Markets (excluding Japan) and Emerging Markets, overall, performed broadly in line with developed markets as a whole. Both the MSCI Emerging Markets Index and the MSCI Asia (excluding Japan) Index declined by approximately 3% (in US \$ terms). Chinese Equities experienced another Quarter of decline in the context of concerns regarding the Chinese economy – particularly property (which accounts for a sizeable proportion of all Chinese economic activity) and the extent of government measures to stimulate the economy. The situation regarding China and questions over the global economic outlook and the potential that US interest rates would remain higher for longer were all factors weighting against Asian and Emerging markets more widely.

Overall benchmark Government Bonds (US, UK, and Germany) experiencing another negative Quarter with yields rising and prices therefore falling. Over the Quarter the 10 Year US, UK and German yields all rose. The US 2 year yield also increased while the German 2 year yield remained static and the UK 2 year yield declined. Announcements from the major Central Banks while indicating that monetary policy tightening was drawing to a close, but that rates would likely stay high, was surely a clear factor weighing against benchmark Government Bonds. On 1 August Fitch (one of the three major credit rating agencies) downgraded its rating of US government bonds from AAA to AA+ Summarising the downgrade Fitch referred to *“expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance relative to 'AA' and 'AAA' rated peers over the last two decades that has manifested in repeated debt limit standoffs and last-minute resolutions.”* The major Corporate bond markets outperformed benchmark Government Bonds with High Yield again (overall) posting positive performance.

**22 November 2023**

John Raisin Financial Services Limited  
Company Number 7049666 registered in England and Wales.  
Registered Office Market House, 10 Market Walk, Saffron Walden, Essex, CB10 1JZ.  
VAT Registration Number 990 8211 06

“Strategic and Operational Support for Pension Funds and their Stakeholders

## Appendix 3: Supplementary Investment Information Nov 2023

**Investment Market Value by Investment Manager at 30 November 2023**

Investment Manager	Asset Class	Market Value	% Rate of Return		
		£m	3 month	1 Year	3 years
LGIM	Global Equities	892	1.5%	5.4%	7.3%
LCIV MAC	Fixed Income	145	2.2%	8.3%	2.4%
LCIV Absolute Return	Multi-Asset	140	0.3%	-6.9%	3.3%
Pantheon Private Equity	Private Equity	139	1.0%	-2.3%	21.9%
CBRE	Property	102	-1.4%	-10.4%	2.3%
LGIM (Index Linked Gilts)	Fixed Income	88	-1.9%	-12.7%	-16.9%
Aviva Lime Fund	Property	85	-1.0%	-5.0%	-7.6%
LCIV Renewable Infra.	Infrastructure	33	-4.2%	6.9%	-
Allianz Infra. Debt Fund	Infrastructure	32	2.6%	11.1%	-8.0%
BlackRock Renewable Infra.	Infrastructure	22	-1.0%	-5.3%	13.1%
LCIV London Fund	Infrastructure	21	1.6%	-0.1%	
CIP Renewable Energy Fund	Infrastructure	13	0.6%	-20.0%	0.8%
Cash	Cash	10	2.4%	1.1%	0.7%
<b>Total</b>		<b>1,722</b>	<b>0.8%</b>	<b>0.8%</b>	<b>4.2%</b>

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**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 13

**Title:** Investment Strategy Review: Strategic Asset Allocation

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

### **1. Describe the issue under consideration**

- 1.1. Haringey Council is the designated statutory Administering Authority for the Haringey Local Government Pension Scheme (LGPS). Administering Authorities are responsible for operating the scheme in accordance with the LGPS regulations, which includes the investment of Pension Fund assets and paying pension benefits.
- 1.2. This report provides the Pensions Committee and Board (PCB) with an assessment of the of the Pension Fund's current strategic asset allocation in comparison to various alternative options.
- 1.3. This report aims to ensure that the Pension Fund has an appropriate strategy in place to fulfil its obligation of paying member pension benefits.

### **2. Cabinet Member Introduction**

- 2.1. Not applicable

### **3. Recommendations**

The Pensions Committee and Board is recommended:

- 3.1. To note Mercer's Investment Strategy Review paper, appended as Confidential Appendix 1 of this report, and the advice contained therein.
- 3.2. To approve a change to the Pension Fund's strategic asset allocation to Option 1 as set out in Confidential Appendix 1 of this report.
- 3.3. To delegate the authority to the Head of Pensions and Treasury to implement the above strategic asset allocation (if approved), including appointing the investment manager identified on page 13 of Confidential Appendix 1 of this report. This will be done in consultation with the Chair of the PCB and Independent Advisor, and after seeking professional advice from the Pension Fund's investment advisors.

#### **4. Reason for Decision**

- 4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required by law to keep its investment strategy under regular review from time to time, and at least once every three years.
- 4.2. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.
- 4.3. The 2022 actuarial valuation exercise showed a significant improvement in the funding position of the Fund compared to the 2019 valuation. As a result, the investment strategy has focused on reducing investment risk. The Fund's investment advisors have identified attractive opportunities in fixed income investments due to the recent rise in bond yields.

#### **5. Other options considered**

- 5.1. All the options under consideration have been included in Confidential Appendix 1 of this report.

#### **6. Background information**

- 6.1. Following the conclusion of the actuarial valuation exercise, the Pensions Committee and Board (PCB) agreed to conduct a thorough review of the current investment strategy. The purpose of this review was to ensure that the Fund's investment strategy was in line with the anticipated growth in the Fund's long-term obligations, as well as the expected future investment return requirements.
- 6.2. The high-level process included establishing investment objectives and reviewing the strategic asset allocation. An assessment of the role of fixed income investments in the portfolio was highlighted as a significant consideration.
- 6.3. The Fund's investment advisors, Mercer, have prepared an Investment Strategy Review paper. This paper includes modelling results for the Fund's strategic asset allocation, focusing on increasing the allocation to defensive/income producing investments through traditional fixed income strategies.
- 6.4. The analysis explores different portfolio options and their impact on investment risk. The material improvement in the funding position and the attractive returns on bond assets provide a good opportunity to consider increasing the allocation to these asset classes.
- 6.5. Additionally, the paper recommends adopting Option 1 as the revised strategic asset allocation. This option offers the greatest reduction in risk while also providing a higher expected return compared to some alternative options.
- 6.6. To fully capture the benefits of this opportunity, it is advised that the PCB ensures the implementation of this change as soon as possible.

#### **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable

## **8. Carbon and Climate Change**

- 8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.
- 8.2. The Fund's current and proposed investment strategy include allocations to renewable infrastructure funds and low-carbon equity index funds. One such fund is the RAFI-Multi Factor Climate Transition Fund, which aims to reduce the Fund's carbon intensity in accordance with the Paris Agreement.
- 8.3. As part of the ongoing strategy review, further work has been planned for a thorough review of the Fund's responsible investment and ESG policies.

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

### Finance and Procurement

- 9.1. Mercer's report, attached as the confidential appendix, highlights that implementing the recommendations would likely lead to greater portfolio risk reduction with similar expected returns. The expected returns of all the portfolios under consideration are higher than the required rate of return set at the 2022 actuarial valuation exercise. Therefore, the recommended strategic asset allocations increase the likelihood of the Fund maintaining a future funding level above 100% and ensuring that contributions rates remain as stable as possible.
- 9.2. The recommended strategy will result in a small increase in investment management fees as identified on page 13 of confidential appendix 1 of this report. However, this increase will be covered by the pension fund. Additionally, these fees are considered appropriate for this type of investment strategy.

### Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.3. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. The administering authority must invest in accordance with the Investment Strategy.
- 9.4. Under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the administering authority must, after taking proper advice, formulate an Investment Strategy (in accordance with guidance issued from time to time by the Secretary of State). It must also keep this under review (at least every three years) and if necessary, revise it.
- 9.5. The Investment Strategy must include:
  - (a) a requirement to invest fund money in a wide variety of investments;
  - (b) the authority's assessment of the suitability of particular investments and types of investments;
  - (c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
  - (d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

9.6. The Investment Strategy must set out the maximum percentage of the total value of all investments of fund money that will be invest in particular investments or classes of investment. Therefore, any decision made by the PCB must not exceed the maximum percentage for that particular or class of investment.

#### Equalities

9.7. Not applicable.

### **10. Use of Appendices**

10.1. Confidential Appendix 1: Investment Strategy Review

### **11. Local Government (Access to Information) Act 1985**

11.1. Not applicable.



**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 15

**Title:** Forward Plan

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

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

## 1. Describe the issue under consideration

- 1.1. This paper has been prepared to identify and agree upon the key priorities for the Pensions Committee and Board over the upcoming months, as well as seek members' input into future agendas.
- 1.2. An overview of the planned investment strategy review work following the completion of the actuarial valuation exercise has also been included for members' consideration.

## 2. Cabinet Member Introduction

- 2.1. Not applicable

## 3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the progress made towards the agreed key priorities outlined in section 6 of this report, specifically in relation to the investment strategy review work.
- 3.2. To identify additional matters and training requirements for inclusion within the Pensions Committee and Board's forward plan.

## 4. Reason for Decision

- 4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required to keep its investment strategy under regular review and revised from time to time, and at least once every three years.
- 4.2. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.

## 5. Other options considered

5.1. Not applicable.

## 6. Background information

- 6.1. The Local Government Pension Scheme (LGPS) Regulations require that those responsible for the governance, decision making, and operational functions of the pension scheme must acquire and maintain the necessary knowledge and skills to appropriately carry out of their duties.
- 6.2. To support this requirement, it is best practice for a pension fund to maintain a work plan. The plan, which outlines the anticipated key activities in the areas of governance, scheme members/employers, investments, and accounting over the next few months, has been included as Appendix 1 of this paper.

### Overview of Investment Strategy Review Process

- 6.3. According to the LGPS Regulations, administering authorities are required to formulate, publish, and maintain an Investment Strategy Statement (ISS). The ISS must be kept under regular review and revised from to time, and at least once every three years.
- 6.4. Following the conclusion of the actuarial valuation exercise, it is prudent for the Fund to conduct a thorough review of its existing investment strategy. This review will ensure that the strategy is aligned with the expected increase in the Fund's long-term obligations and future investment return requirements.
- 6.5. A high-level overview of the investment strategy review process is detailed in the table below.

Activity	Objective
<b>Review of current investment strategy</b>	To identify key sources of risk and return in the current investment strategy.  This includes an assessment of current income levels, inflation-linkage, liquidity, and sustainable investment integration.
<b>Setting investment objectives</b>	To review and agree the Fund's investment objectives including a thorough review of the Fund's approach to responsible investment.
<b>Agree and publish a revised ISS</b>	To investment strategy is in accordance with LGPS regulations.
<b>Explore investment opportunities</b>	To identify investment opportunities that align with the agreed investment objectives and are consistent with the current macroeconomic environment.
<b>Implementation and ongoing performance monitoring</b>	To identify the appropriate investment managers through manager selection and ongoing performance review and monitoring.

### Key Priorities Identified

- 6.6. In early 2023, the PCB undertook a high-level investment strategy review of the Fund with the support of its Senior Fund Officers and Investment Advisors. The outcome of this work has resulted in the following key priorities being identified and a proposed work plan for the next 9-12 months has been detailed below.

Activity	Objective	Key Dates	Progress Update
<b>Review of the Fund's cashflow requirement</b>	<p>The Fund's cashflow requirements to meet benefit payments as they fall due were anticipated to have increased due to sustained higher levels of inflation and changes to contribution rates effective from 1 April 2023.</p> <p>After completing the review of the Fund's cashflow requirement, the Pensions Committee and Board agreed to change the income distribution policy on the applicable global listed equities strategies.</p>	July 2023	Completed
<b>Setting investment objectives</b>	The PCB is in the process of reviewing the Fund's investment objectives and responsible investment goals/criteria.	December 2023 – January 2024	On track for completion
<b>Agree any changes to ISS and explore investment opportunities</b>	<p>Following the completion of process of setting investment objectives, the PCB will consider investment opportunities that align with the agreed-upon investment objectives.</p> <p>This involves a review of the role of fixed income investments in the portfolio which has been included as part of this agenda pack. Other areas of review will include, evaluating the Fund's listed equities allocation and conducting a thorough review of the Fund's private markets allocation throughout 2024.</p>	November 2023 – June 2024	On track for completion

- 6.7. The Pensions Committee and Board (PCB) is invited to provide comments on the proposed work plan above and suggest any necessary amendments. This will enable officers to ensure that members receive the necessary support to inform their decisions.

### Knowledge and Skills

- 6.8. The PCB has adopted the revised CIPFA 2021 Code of Practice on Local Government Pension Scheme (LGPS) Knowledge and Skills which was issued in June 2021.
- 6.9. The appendices attached to this paper set out the PCB's current work plan over the next 12 months, including the Training Plan. The PCB is requested to consider whether it wishes to amend any future agenda items as set out in the papers.

## **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable

## **8. Carbon and climate change**

- 8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.
- 8.2. As part of the planned investment strategy review, the Pensions Committee and Board will assess the Pension Fund's responsible investment goals and criteria for investment selection. This includes an approach to managing and monitoring risks related to climate change.

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

### Finance and Procurement

- 9.1. There are no financial implications arising from this report.

### Head of Legal and Governance (Monitoring Officer)

- 9.2. The Assistant Director of Governance has been consulted on the content of this report. There are no specific legal implications arising from this report.

### Equalities

- 9.3. Not applicable.

## **10. Use of Appendices**

- 10.1. Appendix 1: Forward Plan
- 10.2. Appendix 2: Training Plan

## **11. Local Government (Access to Information) Act 1985**

- 11.1. Not applicable.

Appendix 1 - Forward Plan

January 2024	March 2024	July 2024	September 2024	December 2024
<b>Standing Items</b>				
Administration Report	Administration Report	Administration Report	Administration Report	Administration Report
Work/Forward Plan and Training Opportunities	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)	Governance/LGPS Update Report (if required)
Risk Register Review	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities	Work/Forward Plan and Training Opportunities
Quarterly Pension Fund Performance & Investment Update	Risk Register Review	Risk Register Review	Risk Register Review	Risk Register Review
LAPFF Voting update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update	Quarterly Pension Fund Performance & Investment Update
	LAPFF Voting update	LAPFF Voting update	LAPFF Voting update	LAPFF Voting update
<b>Administration &amp; Governance</b>				
Annual Pension Fund Accounts 23/24 and Annual Report (including various statutory documents)	Administration Strategy		Annual Pension Fund Accounts 23/24 and Annual Report (including various statutory documents)	
	Business Plan and Annual Budget			
<b>Investment &amp; Funding Strategy</b>				
DLUHC Investment Consultation	Investment Strategy Statement	Investment Opportunities Review	Investment Opportunities Review	Investment Opportunities Review
Investment Strategy Review (Fixed Income)	Investment Opportunities Review			
Investment Strategy Statement	Funding Strategy Review			
<b>Knowledge &amp; Skills Development</b>				
Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update	Training & Conferences Update
		LGPS Training for new members		

## Appendix 2 Training Plan Conferences

Date	Conference / Event	Training/ Event Organiser	Website	Cost	Delegates Allowed
Member Self-Directed	Scheme Advisory Board Website	LGPS Scheme Advisory Board	<a href="http://www.lgpsboard.org">http://www.lgpsboard.org</a>	Free - Online	N/A
Member Self-Directed	The Pension Regulator's Pension Education Portal	The Pension Regulator	<a href="http://www.thepensionsregulator.gov.uk">www.thepensionsregulator.gov.uk</a>	Free - Online	N/A
Member Self-Directed	The Pension Regulator's Trustee Toolkit	The Pension Regulator	<a href="https://trusteetoolkit.thepensionsregulator.gov.uk/?redirect=0">https://trusteetoolkit.thepensionsregulator.gov.uk/?redirect=0</a>	Free - Online	N/A
Member Self-Directed	LGPS Regulation and Guidance	LGPS Regulation and Guidance	<a href="http://www.lgpsregs.org/">http://www.lgpsregs.org/</a>	Free - Online	N/A
Member Self-Directed	LGPS Members Website	LGPS	<a href="http://www.lgps2014.org/">http://www.lgps2014.org/</a>	Free - Online	N/A
Member Self-Directed	Local Government Association (LGA) Website	LGA	<a href="http://www.local.gov.uk">www.local.gov.uk</a>	Free - Online	N/A

Please contact Tim Mpofu, Head of Pensions & Treasury if you require any further information on the available training  
 Email: [tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 19

**Title:** Pension Fund Quarterly Investment and Performance Update

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

### **1. Describe the issue under consideration**

- 1.1. This report provides the Pensions Committee and Board (PCB) with the following updates on the Pension Fund's performance for the quarter ended 30 September 2023:
- a. Independent advisor's market commentary
  - b. Investment performance
  - c. Investment asset allocation
  - d. London Collective Investment Vehicle (LCIV) update
  - e. Funding position update

### **2. Cabinet Member Introduction**

- 2.1. Not applicable

### **3. Recommendations**

- 3.1. The Pensions Committee and Board is recommended to note the information provided in section 6 of this report regarding the Pension Fund's investment performance and activity for the quarter ended 30 September 2023. An additional supplementary appendix has been included which shows the Pension Fund's asset values as at 30 November 2023.

### **4. Reason for Decision**

- 4.1. Not applicable.

### **5. Alternative options considered**

- 5.1. Not applicable.

## 6. Background information

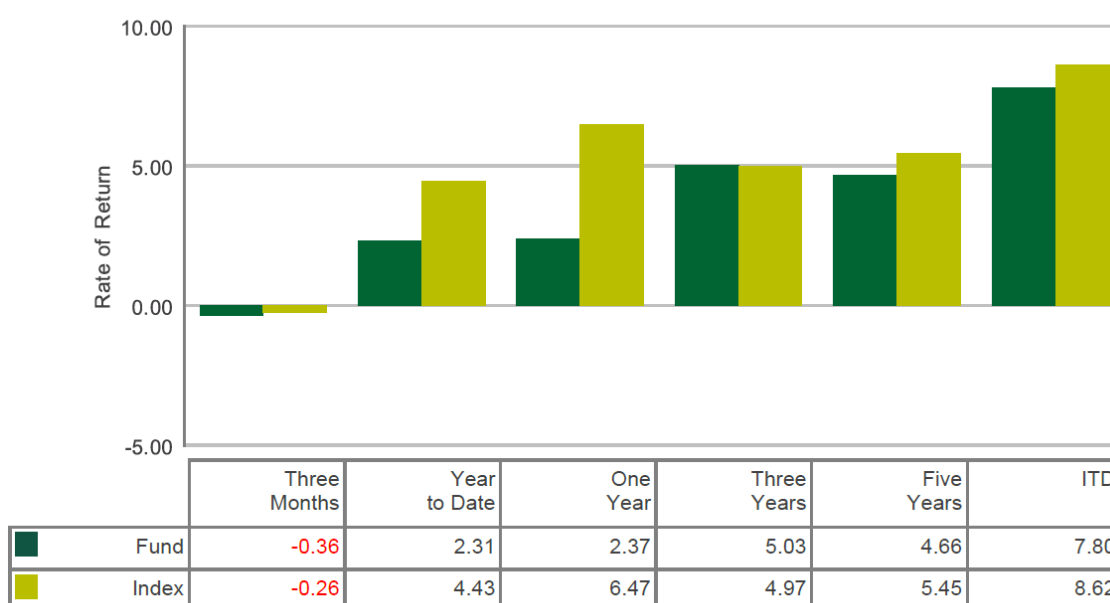
6.1. The independent advisor has prepared a market commentary for the quarter ending 30 September 2023 which, has been included as Appendix 1 to this paper.

### Investment Performance

6.2. As of 30 September 2023, the Fund's investment assets had a market value of £1.694bn. The investment performance across the portfolio was relatively mixed, resulting in a slightly negative return of -0.26% over the quarter. This was an underperformance of -0.10% compared to the target benchmark.

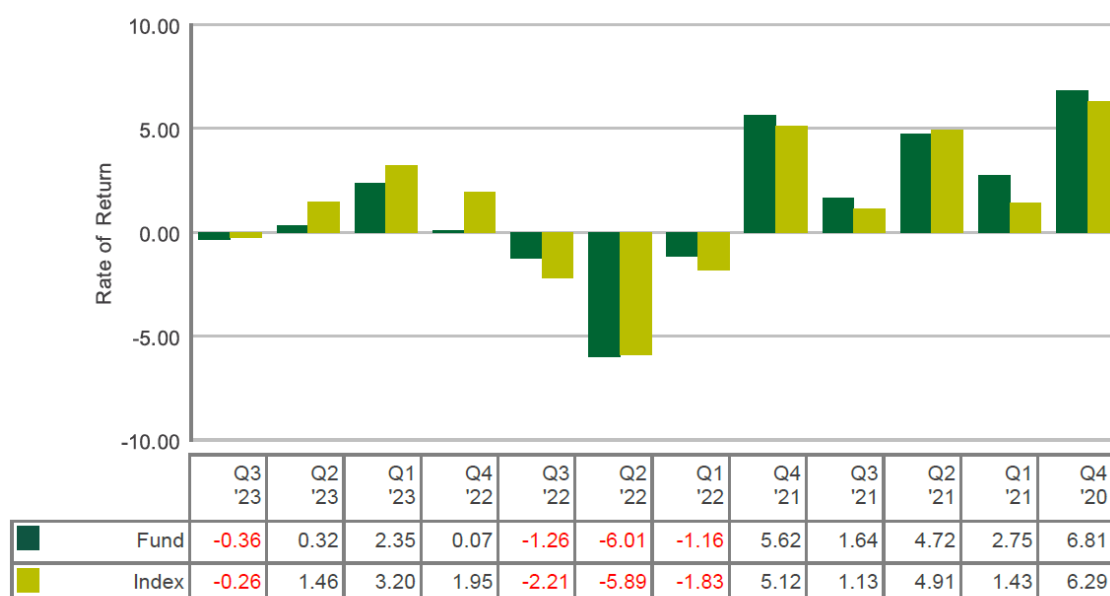
6.3. The fund's overall investment returns as of 30 September 2023 are shown in the charts below.

#### HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

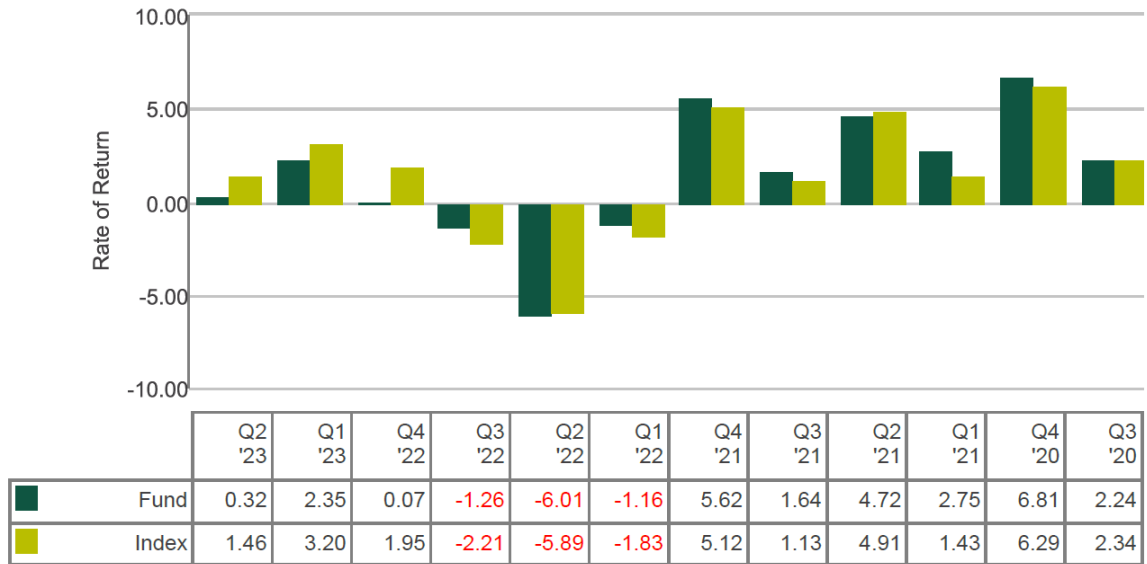
#### HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM



**HARINGEY PENSION FUND ROLLING QUARTERS TOTAL FUND GROSS OF FEES**



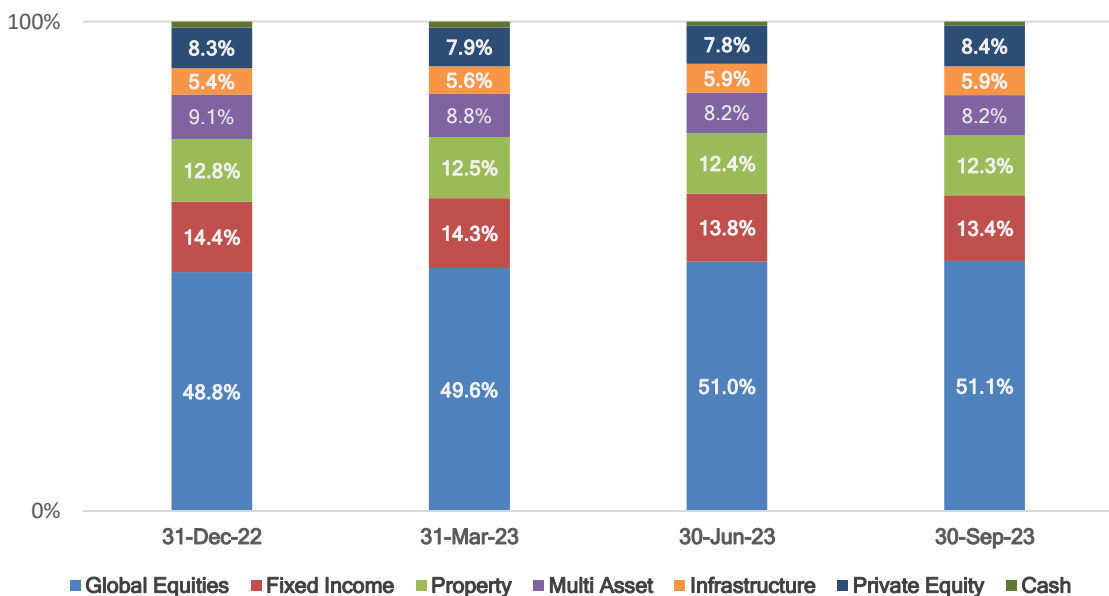
Index: Haringey New Total Plan BM

6.4. A detailed breakdown of Fund’s investment performance can be found in the Fund Strategy Report for the quarter ending 30 September 2023, appended to this report as Confidential Appendix 3. An additional supplementary appendix has been included which shows the Fund’s asset values as at 30 November 2023.

**Investment Asset Allocation**

6.5. The Fund’s strategic asset allocation over the last four quarters to 30 September 2023 is shown in the chart below.

Asset allocation as at 30 September 2023



6.6. The Fund's current asset allocation, compared to the strategic asset allocation is shown on the following tables below.

Liquid assets	Sep-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance	Allowable Ranges
Listed equities	865	47.5%	51.1%	3.6%	+/- 10.0%
Multi-asset credit	141	10.0%	8.3%	(1.7%)	+/- 3.0%
Multi-asset absolute return	139	7.5%	8.2%	0.7%	+/- 3.0%
Index linked gilts	86	7.0%	5.1%	(1.9%)	+/- 3.0%
Cash	13	0.0%	0.8%	0.8%	

6.7. The Fund determines liquid assets as any investments that can be traded within a month such as listed equities and fixed income securities. The Fund has established acceptable ranges for rebalancing these strategies in the event that they deviate from the strategic asset allocation.

Illiquid assets	Sep-23 £m	Strategic Asset Allocation	Current Asset Allocation	Variance
Property	208	15.5%	12.3%	(3.2%)
Private equity	142	5.0%	8.4%	3.4%
Renewable infrastructure	68	5.0%	4.0%	(1.0%)
Infrastructure debt	32	2.5%	1.6%	(0.6%)

6.8. No formal tolerance range has been established for property, private equity, and renewable infrastructure as these asset classes are illiquid. Some of these asset classes are still in the funding stage, and it anticipated that the allocation to them will increase over time to be in line with the strategic asset allocation.

6.9. As of 30 September 2023, all asset classes were within the acceptable ranges. Therefore, no rebalancing is necessary at this stage.

#### London Collective Investment Vehicle (LCIV) Update

6.10. Haringey Pension Fund, along with all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the asset pools that were established following the government guidance issued in November 2015. As of 30 September 2023, the Fund has approximately 76% of its assets invested with the pool, with approximately 20% invested in funds managed directly by the pooling company.

#### Funding Position Update

6.11. The funding level is the ratio of the market value of assets to the projected future benefit payments, also known as fund liabilities. At 31 March 2022, the Fund had a funding level of 113%. This indicated that the Fund's investment assets were more than sufficient to cover all the pension benefits accrued by that date, based on the underlying actuarial assumptions.

6.12. Hymans Robertson, the Fund Actuary, regularly calculates an indicative funding position update using the latest actuarial assumptions. At 30 November 2023, the updated funding level position was 139%. A detailed breakdown of the Fund's funding position has been included as Confidential Appendix 4 to this report.

## **7. Contribution to Strategic Outcomes**

7.1. Not applicable

## **8. Carbon and Climate Change**

8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

8.2. The Pension Fund's current investment strategy includes allocations to renewable infrastructure funds and low-carbon equity index funds. One such fund is the RAFI-Multi Factor Climate Transition Fund, which aims to reduce the Pension Fund's carbon intensity accordance with the Paris Agreement.

8.3. The Pension Fund is continually reviewing the ESG performance of existing investment strategies while also seeking out sustainable investment opportunities that align with the Pension Fund's overall investment objectives.

## **9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)**

### Finance

9.1. The report contains the financial performance of the Haringey Pension Fund and its investments. Proper monitoring and management of these investments increases the likelihood of the Pension Fund achieving its objectives. This, in turn, helps ensure the protection of member benefits and improves the probability of maintaining stable employer contribution rates.

### Procurement

9.2. There are no immediate procurement implications arising from this report.

### Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

9.3. The Council as administering authority for the Haringey Pension Fund must periodically review the suitability of its investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with its overall investment strategy.

9.4. All monies must be invested in accordance with the Investment Strategy Statement (as required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016) and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

### Equality

9.5. The Local Government Pension Scheme is a defined benefit open scheme that allows all Council employees to participate. The report's contents have no direct impact on equality issues.

## **10. Use of Appendices**

10.1. Appendix 1: Independent Advisor's Market Commentary Apr-Jun 2023

10.2. Appendix 2: Supplementary Investment Information Nov 2023

10.3. Confidential Appendix 3: Haringey Pension Fund Performance Report Q2 2023

10.4. Confidential Appendix 4: Funding Position Update Nov 2023

**11. Local Government (Access to Information) Act 1985**

11.1. Not applicable.

By virtue of paragraph(s) 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is exempt

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By virtue of paragraph(s) 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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**Report for:** Pensions Committee and Board – 30 January 2024

**Item number:** 20

**Title:** Investment Strategy Review: Strategic Asset Allocation

**Report authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
[tim.mpofu@haringey.gov.uk](mailto:tim.mpofu@haringey.gov.uk)

**Ward(s) affected:** N/A

**Report for Key/  
Non Key Decision:** Not applicable

### 1. Describe the issue under consideration

- 1.1. Haringey Council is the designated statutory Administering Authority for the Haringey Local Government Pension Scheme (LGPS). Administering Authorities are responsible for operating the scheme in accordance with the LGPS regulations, which includes the investment of Pension Fund assets and paying pension benefits.
- 1.2. This report provides the Pensions Committee and Board (PCB) with an assessment of the of the Pension Fund's current strategic asset allocation in comparison to various alternative options.
- 1.3. This report aims to ensure that the Pension Fund has an appropriate strategy in place to fulfil its obligation of paying member pension benefits.

### 2. Cabinet Member Introduction

- 2.1. Not applicable

### 3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note Mercer's Investment Strategy Review paper, appended as Confidential Appendix 1 of this report, and the advice contained therein.
- 3.2. To approve a change to the Pension Fund's strategic asset allocation to Option 1 as set out in Confidential Appendix 1 of this report.
- 3.3. To delegate the authority to the Head of Pensions and Treasury to implement the above strategic asset allocation (if approved), including appointing the investment manager identified on page 13 of Confidential Appendix 1 of this report. This will be done in consultation with the Chair of the PCB and Independent Advisor, and after seeking professional advice from the Pension Fund's investment advisors.

#### **4. Reason for Decision**

- 4.1. Haringey Council, in its role as the Administering Authority for the Haringey Pension Fund, is required by law to keep its investment strategy under regular review from time to time, and at least once every three years.
- 4.2. The Council has delegated the responsibility for exercising all the Council's functions as the Pension Fund's administering authority, to the Pensions Committee and Board.
- 4.3. The 2022 actuarial valuation exercise showed a significant improvement in the funding position of the Fund compared to the 2019 valuation. As a result, the investment strategy has focused on reducing investment risk. The Fund's investment advisors have identified attractive opportunities in fixed income investments due to the recent rise in bond yields.

#### **5. Other options considered**

- 5.1. All the options under consideration have been included in Confidential Appendix 1 of this report.

#### **6. Background information**

- 6.1. Following the conclusion of the actuarial valuation exercise, the Pensions Committee and Board (PCB) agreed to conduct a thorough review of the current investment strategy. The purpose of this review was to ensure that the Fund's investment strategy was in line with the anticipated growth in the Fund's long-term obligations, as well as the expected future investment return requirements.
- 6.2. The high-level process included establishing investment objectives and reviewing the strategic asset allocation. An assessment of the role of fixed income investments in the portfolio was highlighted as a significant consideration.
- 6.3. The Fund's investment advisors, Mercer, have prepared an Investment Strategy Review paper. This paper includes modelling results for the Fund's strategic asset allocation, focusing on increasing the allocation to defensive/income producing investments through traditional fixed income strategies.
- 6.4. The analysis explores different portfolio options and their impact on investment risk. The material improvement in the funding position and the attractive returns on bond assets provide a good opportunity to consider increasing the allocation to these asset classes.
- 6.5. Additionally, the paper recommends adopting Option 1 as the revised strategic asset allocation. This option offers the greatest reduction in risk while also providing a higher expected return compared to some alternative options.
- 6.6. To fully capture the benefits of this opportunity, it is advised that the PCB ensures the implementation of this change as soon as possible.

#### **7. Contribution to Strategic Outcomes**

- 7.1. Not applicable

## **8. Carbon and Climate Change**

- 8.1. Haringey Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.
- 8.2. The Fund's current and proposed investment strategy include allocations to renewable infrastructure funds and low-carbon equity index funds. One such fund is the RAFI-Multi Factor Climate Transition Fund, which aims to reduce the Fund's carbon intensity in accordance with the Paris Agreement.
- 8.3. As part of the ongoing strategy review, further work has been planned for a thorough review of the Fund's responsible investment and ESG policies.

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

### Finance and Procurement

- 9.1. Mercer's report, attached as the confidential appendix, highlights that implementing the recommendations would likely lead to greater portfolio risk reduction with similar expected returns. The expected returns of all the portfolios under consideration are higher than the required rate of return set at the 2022 actuarial valuation exercise. Therefore, the recommended strategic asset allocations increase the likelihood of the Fund maintaining a future funding level above 100% and ensuring that contributions rates remain as stable as possible.
- 9.2. The recommended strategy will result in a small increase in investment management fees as identified on page 13 of confidential appendix 1 of this report. However, this increase will be covered by the pension fund. Additionally, these fees are considered appropriate for this type of investment strategy.

### Head of Legal and Governance [Patrick Uzice, Principal Lawyer]

- 9.3. The Head of Legal and Governance (Monitoring Officer) has been consulted on the contents of this report. The administering authority must invest in accordance with the Investment Strategy.
- 9.4. Under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the administering authority must, after taking proper advice, formulate an Investment Strategy (in accordance with guidance issued from time to time by the Secretary of State). It must also keep this under review (at least every three years) and if necessary, revise it.
- 9.5. The Investment Strategy must include:
  - (a) a requirement to invest fund money in a wide variety of investments;
  - (b) the authority's assessment of the suitability of particular investments and types of investments;
  - (c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
  - (d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

9.6. The Investment Strategy must set out the maximum percentage of the total value of all investments of fund money that will be invest in particular investments or classes of investment. Therefore, any decision made by the PCB must not exceed the maximum percentage for that particular or class of investment.

#### Equalities

9.7. Not applicable.

### **10. Use of Appendices**

10.1. Confidential Appendix 1: Investment Strategy Review

### **11. Local Government (Access to Information) Act 1985**

11.1. Not applicable.

By virtue of paragraph(s) 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is exempt

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