

**Report for:** Pensions Committee and Board 20 November 2018

**Item number:**

**Title:** Property Investments

**Report authorised by:** Jon Warlow, Chief Finance Officer, (CFO and S151 Officer)

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

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

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

- 1.1. This paper provides an update to members regarding property investments following on from discussions at the previous Pensions Committee and Board (PCB) meeting.

## **2. Cabinet Member Introduction**

- 2.1. Not applicable.

## **3. Recommendations**

- 3.1. That the PCB note this report, including any verbal information given by representatives from the London Collective Investment Vehicle (CIV) in the meeting.

## **4. Reason for Decision**

- 4.1. N/A – noting item

## **5. Other options considered**

- 5.1. N/A – noting item

## **6. Background information**

- 6.1. Members of the PCB have previously expressed an interest in exploring the possibility of investing in residential property, in particular in property that would display high ESG credentials, and cover a broad spectrum of affordability levels.
- 6.2. The Fund's Investment Consultant, Mercer, have advised that residential property often displays a very strong inflation linkage, and that this could sit well within the fund's overall property allocation, provided an investment option can be sourced that will give the fund sufficiently high returns (net of fees) that help meet the fund's overall objectives, is well diversified and managed in a professional manner. They have noted that there are currently few investment options in this are available to institutional investors. Finally, they would also be comfortable with a slightly higher allocation than 2.5%, if this was funded from selling down a portion of the current property portfolio.
- 6.3. At the previous pensions committee and board meeting on 14 September, it was noted that the fund's current property commitments will fall short of the fund's strategic allocation to property. It was further noted that the Fund's property investments could be further diversified by including an allocation to residential property. With this in mind, it was agreed that representatives of the London CIV would be invited to the November meeting in order to discuss in further detail the potential for the CIV to include a residential property investment option. It was further agreed that two principles be adopted by the PCB in relation to residential property.
  - In the first instance, any new investment should be done via the London CIV
  - Any new investment should be done in a diversified manner: preferably using a pooled investment vehicle approach, with an experienced specialist fund manager, and with exposure to the UK property market as a whole
- 6.4. Officers have liaised with London CIV representatives to this end. London CIV officers have worked to appoint a large number of fund managers to manage subfunds for the main asset classes: equity, fixed income, and also for multi asset funds. The CIV is currently working on an infrastructure offering, which is likely to go live in 2019.
- 6.5. The CIV is preparing to next begin work on a property option for boroughs. Initially, the CIV will conduct a scoping survey to assess what level of demand there is for property among the London Boroughs, and which types of property investment there is demand for: e.g. commercial versus residential, UK versus global, etc. London CIV officers will give verbal updates in this meeting regarding this survey.
- 6.6. The approach which is taken by the CIV for property could be similar to that which has been taken for infrastructure, via engaging an outsourced manager to manage a fund of funds structure.

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

7.1. None.

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

### Finance and Procurement

8.1. This report does not contain any issues which would have a direct financial implication, however, as a general point, before any new fund managers or asset classes are introduced to the pension fund, proper due diligence will be undertaken, and sound professional advice will be sought. Officers will ensure that the Pensions Committee and Board receive adequate and appropriate training on any new investment techniques or asset classes prior to these being undertaken by the pension fund.

### Legal

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

8.3. The authority must review and if necessary revise its investment strategy from time to time and at least every 3 years, and publish a statement of any revisions. Any allocations must comply with the Pension Fund Investment Strategy Statement.

8.4. The Assistant Director for Corporate Governance has been consulted on the content of this report and there are no legal issues.

### Equalities

8.5. There are no equalities issues arising from this report

## **9. Use of Appendices**

9.1. Not applicable

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

10.1. Not applicable.