

Report for: Pensions Committee and Board 11 July 2019

Title: Pension Fund Quarterly Update

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions, Treasury and Chief Accountant
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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. To report the following in respect of the three months to 31 March 2019:
- Funding Level Update
 - Investment asset allocation

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the information provided in respect of the activity in the three months to 31 March 2019 is noted.

4. Reason for Decision

- 4.1. N/A

5. Other options considered

- 5.1. None

6. Background information

- 6.1. This update report is produced on a quarterly basis. The Local Government Pension Scheme Regulations require the Committee and Board to review investment performance and sections 11 and 12 of this report provide the information to this end. Appendix 1 shows the targets which have been agreed with the fund managers. The report covers various issues on which the Committee and Board have requested they receive regular updates.

7. Contribution to Strategic Outcomes

7.1. Not applicable

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

Finance and Procurement

8.1. The CFO (S151 Officer) has been consulted on this report and there is no direct financial impact from the contents of this report.

Legal Services Comments

8.2. 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.

8.3. All monies must be invested in accordance with the Investment Strategy and members of the Committee should keep this duty in mind when considering this report and take proper advice on the matter.

Comments of the Independent Advisor

8.4. As appended to this report in Appendix 2

Equalities

8.5. The Local Government Pension Scheme is a defined benefit open scheme enabling all employees of the Council to participate. There are no impacts in terms of equality from the recommendations contained within this report.

9. Use of Appendices

9.1. Appendix 1: Independent Advisor's Market commentary

9.2. Confidential Appendix 2: Funding and Risk Report from the Fund Actuary

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

11. Funding Position Update

- 11.1. At the most recent valuation 31 March 2016, the Fund had a funding position of 79.1% - meaning that the fund's investment assets were sufficient to pay 79.1% of the pension benefits accrued at that date.
- 11.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 31 March 2019, and this showed an improvement to an 83.9% funding level. This position was up from 31 December 2018 which showed 82.6%. This is an indicative position, the final 2019 Valuation will be confirmed in early 2020 once all data has been supplied to the actuary, but it cements an expectation that the fund's position has improved since the 2016 Valuation overall.
- 11.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has decreased slightly to an indicative £265m as at 31 March 2019.
- 11.4. Confidential Appendix 2 shows the funding and risk report produced by the fund actuary as at 31 March 2019, giving further detail regarding this.

12. Portfolio Allocation Against Benchmark

- 12.1. The value of the fund increased by £80.2m between January and March 2019, further details are shown in the annual report which is a separate agenda item at this meeting.
- 12.2. The equity, multi sector credit and multi asset absolute return allocations exceed their strategic allocation, these represent funds which are yet to be called upon by the funds managers for property, private equity and renewable energy which are beneath their strategic allocation.
- 12.3. The fund's £50m commitment to the Aviva Lime Fund is expected to be invested in July 2019.

Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Value	Allocation	Strategic	Variance
	30.06.2018	30.09.2018	31.12.2018	31.03.2019	31.03.2019	Allocation	
	£'000	£'000	£'000	£'000	%	%	%
Equities							
UK	82,007	0	0	0	0.00%	0.00%	0.00%
North America	120,146	0	0	0	0.00%	0.00%	0.00%
Europe	38,249	0	0	0	0.00%	0.00%	0.00%
Japan	18,217	0	0	0	0.00%	0.00%	0.00%
Asia Pacific	18,063	0	0	0	0.00%	0.00%	0.00%
Multi Factor Global	0	284,607	249,997	274,055	19.80%	19.20%	0.60%
Emerging Markets	90,414	95,831	92,094	99,382	7.18%	6.60%	0.58%
Global Low Carbon Tgt	275,568	291,609	255,867	281,914	20.37%	19.20%	1.17%
Total Equities	642,664	672,047	597,958	655,351	47.35%	45.00%	2.35%
Bonds							
Index Linked	183,089	180,552	184,210	195,855	14.15%	15.00%	-0.85%
Property							
Aviva	0	0	0	0	0.00%	5.00%	-5.00%
CBRE	88,668	87,989	96,033	97,136	7.02%	7.50%	-0.48%
Private equity							
Pantheon	55,291	59,135	60,312	65,489	4.73%	5.00%	-0.27%
Multi-Sector Credit							
CQS	128,220	130,236	127,629	126,267	9.12%	7.00%	2.12%
Multi-Asset Absolute Return							
Ruffer	172,193	171,630	153,061	152,887	11.05%	7.50%	3.55%
Infrastructure Debt							
Allianz	40,688	41,304	40,339	43,611	3.15%	3.00%	0.15%
Renewable Energy							
CIP	1,151	1,912	2,595	3,538	0.26%	2.50%	-2.24%
Blackrock	19,751	20,705	22,111	21,066	1.52%	2.50%	-0.98%
Cash & NCA							
Cash	61,042	61,676	19,685	22,968	1.66%	0.00%	1.66%
Total Assets	1,392,757	1,427,186	1,303,933	1,384,168	100%	100%	0.00%