

Report for: Pensions Committee and Board 19 September 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
 - Independent Advisor's Market Commentary
 - Investment Performance

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 30 June 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 appendix 3 to this report provides information to this end.

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 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.

Comments of the Independent Advisor

8.4. As appended to this report in Appendix 1

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
- 9.3. Confidential Appendix 3: Pension Fund Performance

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.

11. Market Commentary

11.1. A market commentary prepared by the Fund's Independent Advisor is attached at appendix 1 to this report.

12. Funding Position Update

12.1. 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.

12.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 30 June 2019, and this showed an improvement to an 85.9% funding level. This position was up from 31 March 2019 which showed 83.9%. 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.

12.3. The 79.1% funding level as at 31 March 2016 corresponded to a net deficit of £277m, which has decreased to an indicative £237m as at 30 June 2019.

12.4. Confidential Appendix 2 shows the funding and risk report produced by the fund actuary as at 31 March 2019, giving further detail regarding this.

13. Portfolio Allocation Against Benchmark

13.1. The value of the fund increased by £39.6m between March and June 2019, further details are shown in the following table.

13.2. The fund's £50m commitment to the Aviva Lime Fund was invested on 16 August 2019, which will bring overall allocations more in line with the strategy, and will be shown in the next quarterly report.

Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Allocation	Strategic	Variance
	31.03.2019	30.06.2019	30.06.2019	Allocation	
	£'000	£'000	%	%	%
Equities					
Multi Factor Global	274,055	284,769	20.00%	19.20%	0.80%
Emerging Markets	99,382	103,074	7.24%	6.60%	0.64%
Global Low Carbon Tgt	281,914	296,821	20.85%	19.20%	1.65%
Total Equities	655,351	684,664	48.09%	45.00%	3.09%
Bonds					
Index Linked	195,855	199,815	14.03%	15.00%	-0.97%
Property					
Aviva	0	0	0.00%	5.00%	-5.00%
CBRE	97,136	99,581	6.99%	7.50%	-0.51%
Private equity					
Pantheon	65,489	67,763	4.76%	5.00%	-0.24%
Multi-Sector Credit					
CQS	126,267	113,411	7.97%	7.00%	0.97%
Multi-Asset Absolute Return					
Ruffer	152,887	155,325	10.91%	7.50%	3.41%
Infrastructure Debt					
Allianz	43,611	43,068	3.02%	3.00%	0.02%
Renewable Energy					
CIP	3,538	5,086	0.36%	2.50%	-2.14%
Blackrock	21,066	23,318	1.64%	2.50%	-0.86%
Cash & NCA					
Cash	22,968	31,730	2.23%	0.00%	2.23%
Total Assets	1,384,168	1,423,761	100%	100%	0.00%

14. Investment Performance

14.1.A performance strategy report is attached to this report at confidential appendix 3, this is prepared by the Fund’s Custodian, Northern Trust. The Fund’s overall returns for the quarter are summarised in the table below:

