

Report for: Pensions Committee and Board 5 March 2020

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 December 2019:

- Investment asset allocation
- Independent Advisor's Market Commentary
- Funding Level Update
- 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 31 December 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 (pages 193 to 196)
- 9.2. Confidential Appendix 2: Funding and Risk Report from the Fund Actuary (pages 239 to 243)
- 9.3. Confidential Appendix 3: Pension Fund Performance (pages 245 to 281)

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 2019, the Fund had a funding position of 100.4% - meaning that the fund's investment assets were sufficient to pay all pension benefits accrued at that date, based on the underlying actuarial assumptions used.
- 12.2. The Fund's Actuary, Hymans Robertson LLP, has calculated an indicative funding position update for 31 December 2019, and this showed an improvement to an 104.6% funding level. This position was up from 30 September 2019 which showed 98.2%.
- 12.3. The 100.4% funding level as at 31 March 2019 corresponded to a net surplus of £6m, which has increased to an indicative £65m as at 31 December 2019.
- 12.4. Confidential Appendix 2 shows the funding and risk report produced by the fund actuary as at 31 December 2019, giving further detail regarding this.

13. Portfolio Allocation Against Benchmark

- 13.1. The value of the fund increased by £6.0m between September and December 2019, further details are shown in the following table.

Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Value	Allocation	Strategic	Variance
	31.03.2019	30.06.2019	30.09.2019	31.12.2019	31.12.2019	Allocation	
	£'000	£'000	£'000	£'000	%	%	%
Equities							
Multi Factor Global	274,055	284,769	295,041	300,675	20.41%	19.20%	1.21%
Emerging Markets Low Carbon	99,382	103,074	102,019	106,392	7.22%	6.60%	0.62%
Global Low Carbon	281,914	296,821	293,894	306,198	20.78%	19.20%	1.58%
Total Equities	655,351	684,664	690,954	713,265	48.41%	45.00%	3.41%
Bonds							
Index Linked	195,855	199,815	217,271	196,822	13.36%	15.00%	-1.64%
Property							
Aviva	0	0	50,000	49,792	3.38%	5.00%	-1.62%
CBRE	97,136	99,581	99,615	99,277	6.74%	7.50%	-0.76%
Private equity							
Pantheon	65,489	67,763	69,354	67,376	4.57%	5.00%	-0.43%
Multi-Sector Credit							
CQS	126,267	113,411	114,093	115,625	7.85%	7.00%	0.85%
Multi-Asset Absolute Return							
Ruffer	152,887	155,325	134,675	136,012	9.23%	7.50%	1.73%
Infrastructure Debt							
Allianz	43,611	43,068	44,860	46,976	3.19%	3.00%	0.19%
Renewable Energy							
CIP	3,538	5,086	7,657	8,127	0.55%	2.50%	-1.95%
Blackrock	21,066	23,318	23,198	23,355	1.59%	2.50%	-0.91%
Cash & NCA							
Cash	22,968	31,730	15,713	16,763	1.14%	0.00%	1.14%
Total Assets	1,384,168	1,423,761	1,467,390	1,473,390	100.00%	100.00%	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:

