

Report for: Pensions Committee and Board – 15 September 2021

Title: Pension Fund Quarterly Investment and Performance Update

Report authorised by: Thomas Skeen, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofu, Head of Pensions and Treasury,
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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 June 2021:
- a. Independent advisor's market commentary
 - b. Investment asset allocation
 - c. Investment performance
 - d. Funding position update
 - e. London Collective Investment Vehicle (LCIV) Update
 - f. Update on the Fund's accounts and annual report

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is asked:

- 3.1. To note the information provided in respect of the activity for the quarter ended 30 June 2021.

4. Reason for Decision

- 4.1. Not applicable.

5. Other options considered

- 5.1. Not applicable.

6. Background information

6.1. The independent advisor has prepared market commentaries for the quarter ending 30 June 2021 as well as a full year report for the financial year ended 31 March 2021. Both reports have been included with this paper as appendix 1 and 2, respectively.

Investment asset allocation

6.2. At 30 June 2021, the Pension Fund's investment assets had a market value of £1.698bn. This was an increase of 4.72% since 31 March 2021 largely spurred on by the optimism in the global financial markets to the reopening of economies after months of lockdown due to the COVID-19 pandemic. The Pension Fund's strategic asset allocation as at 30 June 2021 is shown in Table 1 below.

Table 1: Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Value	Allocation	Strategic	Variance
	30.09.2020	31.12.2020	31.03.2021	30.06.2021	30.06.2021	Allocation	
	£'000	£'000	£'000	£'000	%	%	%
Equities							
Multi Factor Global	298,238	235,740	362,429	389,984	22.97%	20.20%	2.77%
Emerging Markets Low Carbon	107,741	86,999	123,128	128,706	7.58%	7.10%	0.48%
Global Low Carbon	307,475	245,870	355,008	382,520	22.53%	20.20%	2.33%
Total Equities	713,454	568,609	840,565	901,210	53.08%	47.50%	5.58%
Bonds							
Index Linked	175,531	217,519	136,132	141,727	8.35%	7.00%	1.35%
Property							
Aviva	48,098	47,865	73,058	74,764	4.40%	5.00%	-0.60%
CBRE	97,178	97,214	97,454	102,019	6.01%	7.50%	-1.49%
The London Fund	0	0	0	0	0.00%	3.00%	-3.00%
Private equity							
Pantheon	72,585	70,569	90,233	87,225	5.14%	5.00%	0.14%
Multi-Sector Credit							
CQS	143,461	96,013	155,411	158,487	9.34%	10.00%	-0.66%
Multi-Asset Absolute Return							
Ruffer	136,140	132,914	127,845	128,732	7.58%	7.50%	0.08%
Infrastructure Debt							
Allianz	46,286	42,260	45,525	44,955	2.65%	2.50%	0.15%
Renewable Energy Infrastructure							
CIP	18,636	15,952	16,652	14,089	0.83%	1.25%	-0.42%
Blackrock	26,474	26,493	27,325	23,904	1.41%	1.25%	0.16%
LCIV Renew able Infrastructure	26,474	26,493	0	7,711	0.45%	2.50%	-2.05%
Cash & NCA							
Cash	4,056	12,804	13,241	12,919	0.76%	0.00%	0.76%
Total Assets	1,508,373	1,354,705	1,623,441	1,697,742	100.00%	100.00%	

6.3. At previous PCB meetings, the Committee and Board has agreed to several changes to the Pension Fund's strategic asset allocation. An update of the progress made regarding the changes is summarised in Table 2 below.

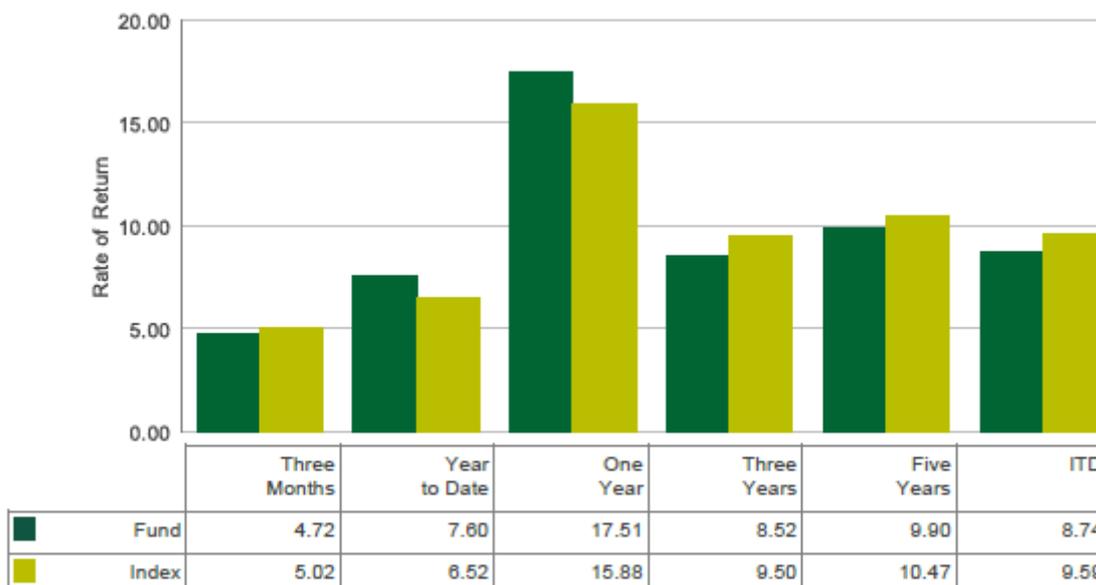
Table 2: Update on Changes Made to Asset Allocation

Switch Fixed Interest Gilts Back to Index Linked Gilts	The switch to index linked gilts was completed in April 2021.
Allocate 3% to the London Fund (£45m)	The Pension Fund has finalised the required set up paperwork and has a commitment of £45m with the London Fund. As at the reporting date, no capital calls had been made by the investment manager.
London CIV Renewable Infrastructure Fund	The Pension Fund has finalised the required set up paperwork and has a commitment of £65m with the LCIV Renewable Infrastructure Fund. As at the reporting date, £7.7m had been invested in the fund.
Implementation of the RAFI Multi-Factor Climate Transition Strategy	The switch to the RAFI Multi-Factor Climate Transition Strategy was completed in June 2021. The Pension Fund now has its entire passive equity allocation invested with low carbon funds.

Investment Performance

- 6.4. A performance strategy report is attached to this report as Confidential Appendix 3, this has been prepared by the Fund's Custodian, Northern Trust. The Fund's overall returns for the quarter are summarised in the chart on the following page:

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

Funding Position Update

- 6.5. At the most recent valuation carried out as at 31 March 2019, the Pension Fund had a funding level of 100.4%. This meant that the Pension Fund's investment

assets were sufficient to pay all pension benefits accrued at that date, based on the underlying actuarial assumptions.

- 6.6. The Pension Fund's Actuary, Hymans Robertson, regularly calculates an indicative funding position update based on the latest actuarial assumptions. The most recent update shows an estimated funding level of 110% as at 31 March 2021.
- 6.7. The funding level increase has been driven largely by the slightly higher than expected investment returns since March 2019. However, the outlook for future returns over the next 20 years on the fallen slightly which has increased the value placed on liabilities.
- 6.8. The next valuation will be carried out as at 31 March 2022, with new contribution rates to apply from 1 April 2023.

London Collective Investment Vehicle (LCIV) Update

- 6.9. Haringey Pension Fund, alongside all the London Borough funds, is a member of the London Collective Investment Vehicle (LCIV), one of the 8 asset pools that was set up after the government guidance issued in November 2015. The Pension Fund had approximately 80% of assets invested with the pool as at 30 June 2021.
- 6.10. The LCIV completed its first close of the LCIV Renewable Infrastructure Fund in March 2021. The Pension Fund was part of the first close with a commitment of £65m which was agreed at the last PCB meeting.
- 6.11. The LCIV is currently developing its reporting on the Task Force for Climate-related Disclosures (TCFD) and has engaged S&P/Trucost to assist with the ongoing work. The MHCLG is expected to conduct a consultation exercise on TCFD reporting for the Local Government Pension Schemes later this year.

Update on the Pension Fund's Accounts and Annual Report

- 6.12. The Pension Fund's draft statement of accounts has now been published and is available on the Council's website. A copy of the accounts has been included with this report as appendix 4. The annual external audit is expected to begin later in the autumn.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officers comments (Chief Finance 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.

Head of Legal and Governance (Monitoring Officer)

- 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.

Equalities

- 8.4. 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 April to June 2021
- 9.2. Appendix 2: Independent Advisor's Report Financial Year 2020-2021
- 9.3. Confidential Appendix 3: Pension Fund Performance Report
- 9.4. Appendix 4: Pension Fund's Draft Statement of Accounts 2020-2021

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.