

Report for: Pensions Committee and Board – 2 December 2021

Title: Pension Fund Quarterly Update and Investments 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 September 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

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

The Pensions Committee and Board is recommended:

- 3.1. To note the information provided in respect of the activity for the quarter ended 30 September 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 a market commentary for the quarter ending 30 September 2021 which has been included as appendix 1 to this paper.

Investment asset allocation

6.2. At 30 September 2021, the Pension Fund's investment assets had a market value of £1.722bn. This was an increase of 1.64% since 30 June 2021 largely driven by outperformance from the private equity and renewable infrastructure investments. The Pension Fund's strategic asset allocation as at 30 September 2021 is shown in Table 1 below.

Table 1: Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Value	Allocation	Strategic	Variance
	31.12.2020	31.03.2021	30.06.2021	30.09.2021	30.09.2021	Allocation	
	£'000	£'000	£'000	£'000	%	%	%
Equities							
Multi Factor Global	235,740	362,429	389,984	388,309	22.55%	20.20%	2.35%
Emerging Markets Low Carbon	86,999	123,128	128,706	134,665	7.82%	7.10%	0.72%
Global Low Carbon	245,870	355,008	382,520	380,840	22.12%	20.20%	1.92%
Total Equities	568,609	840,565	901,210	903,814	52.50%	47.50%	5.00%
Bonds							
Index Linked	217,519	136,132	141,727	144,992	8.42%	7.00%	1.42%
Property							
Aviva	47,865	73,058	74,764	74,087	4.30%	5.00%	-0.70%
CBRE	97,214	97,454	102,019	106,357	6.18%	7.50%	-1.32%
The London Fund	0	0	0	5,353	0.31%	3.00%	-2.69%
Private equity							
Pantheon	70,569	90,233	87,225	102,560	5.96%	5.00%	0.96%
Multi-Sector Credit							
LCIV Multi Asset Credit	96,013	155,411	158,487	160,392	9.32%	10.00%	-0.68%
Multi-Asset Absolute Return							
LCIV Absolute Return	132,914	127,845	128,732	129,425	7.52%	7.50%	0.02%
Infrastructure Debt							
Allianz	42,260	45,525	44,955	45,544	2.65%	2.50%	0.15%
Renewable Energy Infrastructure							
CIP	15,952	16,652	14,089	15,668	0.91%	1.25%	-0.34%
Blackrock	26,493	27,325	23,904	22,700	1.32%	1.25%	0.07%
LCIV Renewable Infrastructure	0	0	7,711	4,915	0.29%	2.50%	-2.21%
Cash & NCA							
Cash	12,804	13,241	12,919	5,886	0.34%	0.00%	0.34%
Total Assets	1,328,212	1,623,441	1,697,742	1,721,693	100.00%	100.00%	

6.3. At the PCB meeting held on 15 September 2021, officers were requested to consider rebalancing the Pension Fund’s overweight position in equities with a view to bringing it back in line with the strategic asset allocation. Although the Pension Fund still had an overweight position as at 30 September 2021, officers have since consulted with the Pension Fund’s investment consultants, Mercer, and agreed to implement the rebalancing changes summarised below in Table 2.

Table 2: Update on Pension Fund Asset Allocation Rebalancing

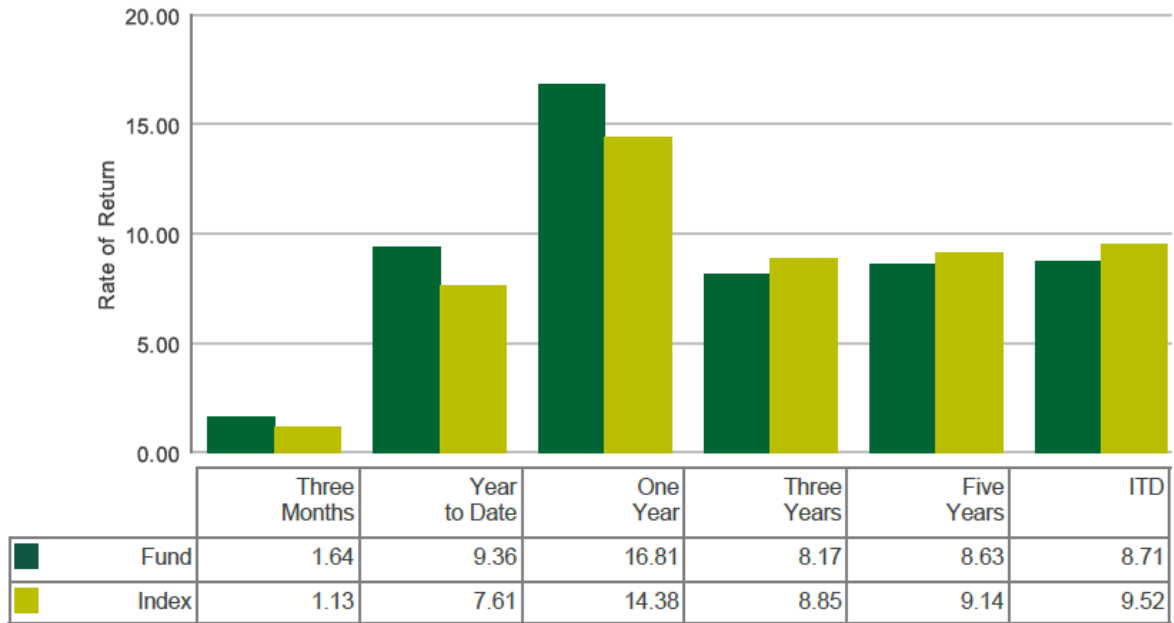
<p>Transition £40m from the equity portfolio into the LCIV Absolute Return Fund (Ruffer)</p>	<p>The investment manager of the LCIV’s Absolute Return Fund, Ruffer, has a clear focus on capital preservation and downside protection. This action is intended to reduce the portfolio’s overall investment risk.</p> <p>The Pension Fund’s investment strategy statement allows for this allocation to be over/underweight by 3%.</p>
<p>Hold a small proportion of assets in cash</p>	<p>The Pension Fund holds several underweight positions in investments that are currently in their funding phase. These include the LCIV Renewable Infrastructure Fund and the LCIV London Fund.</p> <p>Mercer recommend holding up to 1.5% of the assets in cash with the proceeds earmarked to meet capital calls for the Pension Fund’s illiquid mandates.</p>
<p>Review property allocation</p>	<p>The Pension Fund also has an underweight position in it’s conventional property allocation which is likely to persist into the foreseeable future if no action is taken.</p> <p>Mercer recommend that the Pension Fund consider reviewing the options for topping up this allocation at future PCB meetings.</p>

Investment Performance

6.4. A performance strategy report is attached to this report as Confidential Appendix 2, this has been prepared by the Fund’s Custodian, Northern Trust. The Pension 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 111% as at 30 June 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 has 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 78% of assets invested with the pool as at 30 September 2021.

6.10. 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. Due to changes at the Department for Levelling Up, Housing and Communities (DLUCH), the anticipated consultation on TCFD reporting for Local Government Pension Schemes has been delayed. However, it is still expected that the consultation will be published before the end of this year.

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. There are no direct financial impacts 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 June to September 2021

9.2. Confidential Appendix 2: Pension Fund Performance Report

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.