

Report for: Pensions Committee and Board – 27 April 2022

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 31 December 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. External audit 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 section 6 of the report in respect of the activity for the quarter ended 31 December 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 31 December 2021 which has been included as appendix 1 to this paper.

Investment Asset Allocation

6.2. At 31 December 2021, the Pension Fund's investment assets had a market value of £1.818bn. This was an increase of 5.62% since 30 September 2021 largely driven by strong performance from the fund's private equity and property investments. The Pension Fund's strategic asset allocation as at 31 December 2021 is shown in Table 1 below.

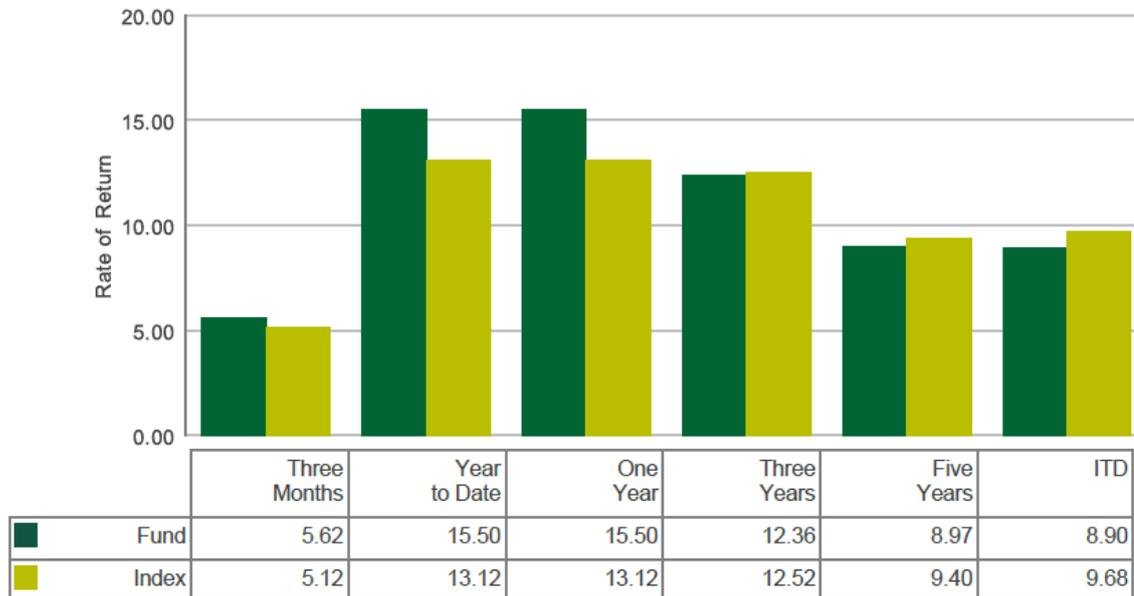
Table 1: Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Value	Allocation	Strategic	Variance
	31.03.2021	30.06.2021	30.09.2021	31.12.2021	31.12.2021	Allocation	
	£'000	£'000	£'000	£'000	%	%	
Equities							
Multi Factor Climate Transition	362,429	389,984	388,309	387,002	21.28%	20.20%	1.08%
Emerging Markets Low Carbon	123,128	128,706	134,665	128,984	7.09%	7.10%	-0.01%
Global Low Carbon	355,008	382,520	380,840	381,887	21.00%	20.20%	0.80%
Total Equities	840,565	901,210	903,814	897,873	49.38%	47.50%	1.88%
Bonds							
Index Linked	136,132	141,727	144,992	152,838	8.41%	7.00%	1.41%
Property							
Aviva	73,058	74,764	74,087	78,779	4.33%	5.00%	-0.67%
CBRE	97,454	102,019	106,357	113,913	6.26%	7.50%	-1.24%
The London Fund	0	0	5,353	5,640	0.31%	3.00%	-2.69%
Private equity							
Pantheon	90,233	87,225	102,560	116,891	6.43%	5.00%	1.43%
Multi-Sector Credit							
LCIV Multi Asset Credit	155,411	158,487	160,392	162,003	8.91%	10.00%	-1.09%
Multi-Asset Absolute Return							
LCIV Absolute Return	127,845	128,732	129,425	171,186	9.41%	7.50%	1.91%
Infrastructure Debt							
Allianz	45,525	44,955	45,544	45,788	2.52%	2.50%	0.02%
Renewable Energy Infrastructure							
CIP	16,652	14,089	15,668	14,726	0.81%	1.25%	-0.44%
Blackrock	27,325	23,904	22,700	23,437	1.29%	1.25%	0.04%
LCIV Renewable Infrastructure	0	7,711	4,915	16,992	0.93%	2.50%	-1.57%
Cash & NCA							
Cash	13,241	12,919	5,886	18,316	1.01%	0.00%	1.01%
Total Assets	1,623,441	1,697,742	1,721,693	1,818,382	100.00%	100.00%	

Investment Performance

- 6.3. The performance strategy report for the quarter to 31 December 2021 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 chart below.

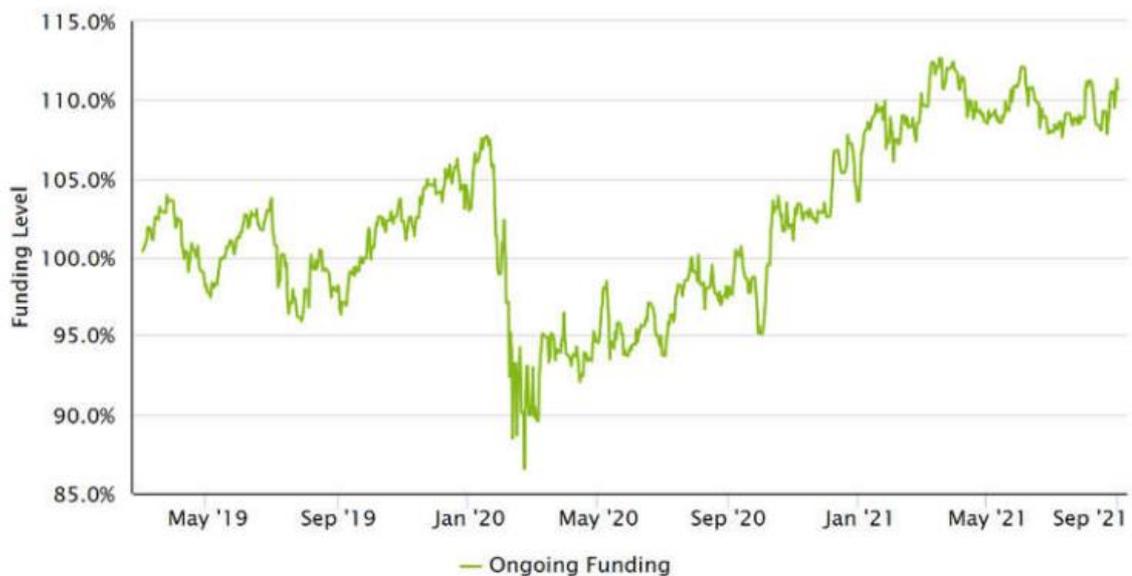
HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

Funding Position Update

- 6.4. At the most recent actuarial valuation of the Pension Fund 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.
- 6.5. 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 September 2021.
- 6.6. The funding level increase has been largely driven 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. The Pension Fund's ongoing funding position since 31 March 2019 is shown on the chart on the following page.



6.7. The funding level increase has been largely driven 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 77% of assets invested with the pool as at 31 December 2021.

6.10. In late 2021, the LCIV notified its shareholders of the technical issue regarding its accounting classification of the LCIV's regulatory capital. In order to rectify the issues, the LCIV informed shareholders that amendments to the Shareholder Agreement and Articles of Association would need to be made and agreed by all shareholders.

6.11. As of 28 February 2022, 30 of the 32 London Boroughs had agreed to the amendments and signed the written resolution to effect the change. Officers are continuing to monitor the progress the LCIV is making on this issue.

External Audit Update

6.12. The Pension Fund is required to produce annual statement of accounts and have them independently audited. The Council published the draft Statement of Accounts (including the accounts for Haringey Pension Fund) for the financial year

ending 31 March 2021 in the summer of 2021. The final version of the accounts will be approved by the Committee following the completion of the audit.

- 6.13. Work on the audit is currently underway and officers have been engaging with the audit team, providing them with the necessary information required to obtain assurance over the Pension Fund's Statement of Accounts. David Eagles, the Audit Partner from BDO, will be providing a verbal update on the audit progress at the meeting.

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 equalities issues arising from the contents of this report.

9. Use of Appendices

- 9.1. Appendix 1: Independent Advisor's Market Commentary Oct-Dec 2021
9.2. Confidential Appendix 2: Pension Fund Performance Report

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.