

Report for: Pensions Committee and Board – 12 September 2022

Title: Pension Fund Quarterly Investment and Performance Update

Report authorised by: Toyin Bamidele, Assistant Director of Finance (Deputy Section 151 Officer)

Lead Officer: Tim Mpofo, Head of Pensions and Treasury,
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Ward(s) affected: Not applicable

**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 2022:
- 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. 2021/22 Statement of Accounts 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 30 June 2022.

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 March 2022 which has been included as Appendix 1 to this paper.

Investment Asset Allocation

6.2. At 30 June 2022, the Pension Fund's investment assets had a market value of £1.687bn. This was a decrease of 6.01% from the March 2022 quarter, largely due to the uncertain global economic outlook as central banks continued to raise their baseline interest rates in a bid to bring down higher inflation.

6.3. Listed equities and fixed income were the asset classes most impacted by this activity. However, alternative investments performed strongly during the period thereby minimising the negative impact on overall fund performance. The Pension Fund's strategic asset allocation as at 30 June 2022 is shown in Table 1 below.

Table 1: Total Portfolio Allocation by Manager and Asset Class

	Value	Value	Value	Value	Allocation	Strategic	Variance
	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.06.2022	Allocation	
	£'000	£'000	£'000	£'000	%	%	%
Equities							
Multi Factor Climate Transition	388,309	387,002	372,311	343,564	20.36%	20.20%	0.16%
Emerging Markets Low Carbon	134,665	128,984	124,152	119,301	7.07%	7.10%	-0.03%
Global Low Carbon	380,840	381,887	368,195	323,147	19.15%	20.20%	-1.05%
Total Equities	903,814	897,873	864,658	786,012	46.59%	47.50%	-0.91%
Bonds							
Index Linked	144,992	152,838	143,026	114,641	6.79%	7.00%	-0.21%
Property							
Aviva	74,087	78,779	80,632	108,041	6.40%	6.00%	0.40%
CBRE	106,357	113,913	119,877	124,223	7.36%	6.50%	0.86%
The London Fund	5,353	5,640	5,476	9,374	0.56%	3.00%	-2.44%
Private equity							
Pantheon	102,560	116,891	118,611	134,271	7.96%	5.00%	2.96%
Multi-Sector Credit							
LCIV Multi Asset Credit	160,392	162,003	153,360	141,716	8.40%	10.00%	-1.60%
Multi-Asset Absolute Return							
LCIV Absolute Return	129,425	171,186	178,788	142,035	8.42%	7.50%	0.92%
Infrastructure Debt							
Allianz	45,544	45,788	45,610	41,701	2.47%	2.50%	-0.03%
Renewable Energy Infrastructure							
CIP	15,668	14,726	13,773	15,700	0.93%	1.25%	-0.32%
Blackrock	22,700	23,437	20,017	20,887	1.24%	1.25%	-0.01%
LCIV Renewable Infrastructure	4,915	16,992	17,983	15,745	0.93%	2.50%	-1.57%
Cash & NCA							
Cash	5,886	18,316	33,251	32,856	1.95%	0.00%	1.95%
Total Assets	1,721,693	1,818,382	1,795,062	1,687,202	100.00%	100.00%	

Investment Performance

- 6.4. The performance strategy report for the quarter to 30 June 2022 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 below.

HARINGEY PENSION FUND TOTAL FUND GROSS OF FEES



Index: Haringey New Total Plan BM

Funding Position Update

- 6.5. 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.
- 6.6. The Pension Fund's Actuary, Hymans Robertson, regularly calculates an indicative funding position update based on the latest actuarial assumptions. The latest actuarial assumptions suggest that the funding level has increased since March 2019, largely driven by the slightly higher than expected investment returns over the past three years. However, the outlook for future returns over the next 20 years has fallen slightly which is likely to have increased the value placed on liabilities.
- 6.7. The next actuarial valuation exercise is currently underway and 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

- 6.8. 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 72% of assets invested with the pool as at 30 June 2022.

2021/22 Statement of Accounts Update

- 6.9. The Pension Fund is required to produce annual statement of accounts and have them independently audited. The Accounts and Audit (Amendment) Regulations 2021 required the Council to publish the unaudited Statement of Accounts (including the accounts for Haringey Pension Fund) for the year ending 31 March by 1 August 2022.
- 6.10. The Council has given notice that it has not yet published the draft Statement of Accounts for 2021/22 and as a result, the period for exercise of public inspection has been delayed.
- 6.11. The delay has arisen due to the impact of COVID-19 on both the complexity of the external audit and the pace at which it can be completed, in addition to the increased assurance work auditors are required to carry out nationally with respect to asset valuations.
- 6.12. Work on the 2020/21 Statement of Accounts external audit has been ongoing since November 2021, however BDO, the Council's external auditor had to pause the exercise in the spring of 2022 due to other client commitments.
- 6.13. Officers are actively engaging with BDO to complete this activity as soon as possible.

7. Contribution to Strategic Outcomes

7.1. Not applicable

8. Statutory Officer Comments (Director of Finance (including Procurement), Head of Legal and 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 Apr-Jun 2022

9.2. Confidential Appendix 2: Pension Fund Performance Report

10. Local Government (Access to Information) Act 1985

10.1. Not applicable.